

Kareeberg

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2016

KAREEBERG LOCAL MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of comparison of budget and actual amounts - Statement of Financial Position	7 - 8
Statement of comparison of budget and actual amounts - Statement of Financial Performance	9 - 10
Statement of comparison of budget and actual amounts - Cash Flow statement	11 - 12
Accounting Policies	13 - 44
Notes to the Financial Statements	45 - 71

APPENDICES - Unaudited

A	Segmental Statement of Financial Performance - Municipal Votes	72
B	Segmental Statement of Financial Performance	73
C	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	74
D	National Treasury Appropriation Statements	
	- Revenue and Expenditure (Standard Classification)	75
	- Revenue and Expenditure (Municipal Vote Classification)	76
	- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	77
	- Capital Expenditure by Vote, Standard Classification and Funding	78
	- Cashflows	79

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

*Carnarvon
Vosburg
Vanwyksvlei*

MAYOR

Mr N.I. Titus

MUNICIPAL MANAGER

Mr W. de Bruin

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

*Office of the Auditor General (NC)
Oliver Road,
Kimberley, 8301*

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr J.E.J. Hoom
2	Mr D.P. Jason
3	Ms D. Olifant
4	Mr N.I. Titus
Proportional	Ms E.L. Riley
Proportional	Mr J. Horne
Proportional	Mr P. Viviers

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporate Governance determination in accordance with this Act.



Mr W. de Bruin
Municipal Manager

31 August 2016

Date

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		119 474 002	115 003 240
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	40 546	38 010
Accumulated Surplus		108 085 645	103 617 419
Non-Current Liabilities		31 005 006	29 984 022
Employee benefits	3	8 999 385	8 418 000
Non-Current Provisions	4	22 005 620	21 566 021
Current Liabilities		4 471 772	5 061 369
Consumer Deposits	5	320 339	308 159
Current Employee benefits	6	2 116 675	1 919 560
Payables from exchange transactions	7	506 649	928 922
Unspent Conditional Government Grants and Receipts	8	1 528 110	1 904 727
Total Net Assets and Liabilities		154 950 780	150 048 631
ASSETS			
Non-Current Assets		127 885 878	124 637 101
Property, Plant and Equipment	10	110 034 927	105 824 226
Investment Property	11	15 451 029	15 463 392
Intangible Assets	12	15 086	18 371
Heritage Assets	13	14 900	19 176
Capitalised Restoration Cost	14	2 335 738	3 272 628
Long-Term Receivables	15	34 200	39 306
Current Assets		27 064 902	25 411 530
Inventory	16	527 836	527 836
Trade Receivables from exchange transactions	17	3 231 412	2 452 056
Other Receivables from non-exchange transactions	18	4 015	8 797
Operating Lease Asset	19	40 405	37 669
Current Portion of Long-term Receivables	15	7 585	8 727
Cash and Cash Equivalents	20	23 253 650	22 376 445
Total Assets		154 950 780	150 048 631

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Actual) R	Correction of Error - Note 34,08 R	2015 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		34 702 291	34 454 433	-	34 454 433
Taxation Revenue		4 438 366	4 197 712	-	4 197 712
Property taxes	21	4 438 366	4 197 712	-	4 197 712
Transfer Revenue		30 146 690	29 578 021	-	29 578 021
Government Grants and Subsidies - Capital	22	7 042 151	10 026 175	-	10 026 175
Government Grants and Subsidies - Operating	22	22 742 216	19 551 846	-	19 551 846
Contributed Property, Plant and Equipment		362 323	-	-	-
Other Revenue		117 235	678 699	-	678 699
Actuarial Gains		90 235	665 727	-	665 727
Licences and Permits		12 105	6 072	-	6 072
Fines		14 895	6 900	-	6 900
Revenue from Exchange Transactions		23 597 741	22 006 597	(662 991)	22 669 588
Property Rates - Penalties & Collection Charges		195 058	220 605	-	220 605
Service Charges	23	19 758 336	17 949 794	-	17 949 794
Rental of Facilities and Equipment		327 129	395 462	-	395 462
Interest Earned - external investments		1 808 471	1 592 813	-	1 592 813
Interest Earned - outstanding debtors		2 221	2 572	-	2 572
Agency Services		178 420	147 351	-	147 351
Other Revenue	24	1 328 105	1 697 999	(662 991)	2 380 990
Total Revenue		58 300 032	56 461 029	(662 991)	57 124 020
EXPENDITURE					
Employee related costs	26	17 101 451	16 252 966	-	16 252 966
Remuneration of Councillors	27	2 129 257	2 020 110	-	2 020 110
Debt Impairment	28	228 859	-	-	-
Depreciation and Amortisation	29	3 405 623	3 165 881	122 108	3 043 774
Impairments	10	10 248	-	-	-
Repairs and Maintenance		929 948	352 289	(527 836)	880 124
Actuarial losses	3	144 864	93 808	-	93 808
Finance Charges	30	1 989 338	1 809 398	836 270	673 128
Bulk Purchases	31	8 627 114	8 119 144	-	8 119 144
Contracted services		1 100 434	1 607 291	-	1 607 291
Grants and Subsidies	32	8 975 821	8 018 446	-	8 018 446
Stock Adjustments	31	888 553	413 583	-	413 583
General Expenses	33	8 296 428	7 972 046	-	7 972 046
Total Expenditure		53 829 939	49 824 962	530 542	49 294 420
Operating Surplus for the Year		4 470 093	6 636 067	(1 193 533)	7 829 600
Loss on disposal of Property, Plant and Equipment/Investment Property/Intangible Asset	10	(1 809)	(41 936)	-	(41 936)
Fair Value Adjustments	25	2 478	2 995	-	2 995
NET SURPLUS FOR THE YEAR		4 470 763	6 597 126	(1 193 533)	7 790 659

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 July 2014					
Net Surplus/(Deficit) for the year	54 450	36 294	11 347 812	112 320 884	123 759 440
Correction of error - See Note 34,08	-	-	-	7 790 659	7 790 659
Revaluation of PPE and CRC (Capitalised Restoration Cost)	-	-	-	(1 193 533)	(1 193 533)
Transfer to Housing Development Fund	(54 450)	-	-	-	(54 450)
Rounding	-	1 716	-	(1 716)	-
	-	-	-	(1)	(1)
Balance at 30 June 2015					
Balance at 30 June 2015	-	38 010	11 347 812	118 916 293	130 302 115
Correction of error - See Note 34,07	-	-	-	(15 298 875)	(15 298 875)
Restated Balance at 1 July 2015					
Restated Balance at 1 July 2015	-	38 010	11 347 812	103 617 419	115 003 240
Net Surplus/(Deficit) for the year	-	-	-	4 470 763	4 470 763
Transfer to/from Housing Development Fund	-	2 536	-	(2 536)	-
Rounding	-	-	-	(1)	(1)
Balance at 30 June 2016					
Balance at 30 June 2016	-	40 546	11 347 812	108 085 645	119 474 002

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		4 508 410	4 629 459
Service Charges		18 049 879	16 538 065
Other Revenue		1 646 217	2 450 069
Government - Operating		23 150 211	19 685 000
Government - Capital		7 449 091	10 933 590
Interest		1 752 717	1 557 202
Payments			
Suppliers and employees		(37 625 869)	(36 182 212)
Finance charges	30	(1 989 338)	(1 809 398)
Transfers and Grants	32	(8 975 821)	(8 018 446)
Net Cash from Operating Activities		7 965 496	9 783 329
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(7 110 081)	(10 088 338)
Proceeds on Disposal of Fixed Assets		(236)	44 264
Purchase of Intangible Assets		(3 158)	-
(Increase)/Decrease in Heritage Assets		4 276	-
Net Cash from Investing Activities		(7 109 199)	(10 044 074)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		8 727	9 796
Increase/(Decrease) in Consumer Deposits		12 180	15 390
Rounding		-	(1)
Net Cash from Financing Activities		20 907	25 185
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		877 205	(235 560)
Cash and Cash Equivalents at the beginning of the year		22 376 445	22 612 006
Cash and Cash Equivalents at the end of the year	36	23 253 650	22 376 445
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		877 205	(235 560)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	649 026	1 538 120	(889 094)	Increase in debtors
Call investment deposits	22 604 624	23 744 182	(1 139 558)	Increase in debtors/Additional spending of unspent grants/RBIG funds not received
Consumer debtors	1 822 478	6 000 119	(4 177 641)	Higher levied rate
Other Receivables	1 453 353	29 515	1 423 838	2015 Vat claim not received in 2016
Current portion of long-term receivables	7 585	8 490	(905)	
Inventory	527 836	-	527 836	Correction of error
Total current assets	27 064 902	31 320 426	(4 255 524)	
Non current assets				
Long-term receivables	34 200	41 821	(7 421)	Loan settled
Investments	-	-	-	
Investment property	15 451 029	10 214 723	5 236 306	Correction of error in 2015 not taken into account
Property, plant and equipment	112 370 864	122 804 066	(10 433 402)	RBIG funds not received/MIG funds withheld/Adjustment on Landfill sites
Biological Assets	-	-	-	
Intangible Assets	15 086	24 759	(9 673)	Less amortisation
Heritage Assets	14 900	-	14 900	Correction of error
Total non current assets	127 885 878	133 085 169	(5 199 291)	
TOTAL ASSETS	154 950 780	164 405 595	(9 454 815)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	320 339	370 388	(50 049)	Less movement of consumers
Trade and other payables	2 034 758	4 855 064	(2 820 306)	Less retention due to less capital funds received (RBIG/MIG)
Provisions and Employee Benefits	2 116 675	1 659 144	457 531	Adjustment on Landfill sites/Additional provision for permanent appointments
Total current liabilities	4 471 772	6 884 596	(2 412 824)	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	31 005 005	12 530 249	18 474 756	Adjustment on Landfill sites
Total non current liabilities	31 005 005	12 530 249	18 474 756	
TOTAL LIABILITIES	35 476 777	19 414 845	16 061 932	
NET ASSETS	119 474 003	144 990 750	(25 516 749)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	108 085 645	133 552 763	(25 467 118)	Nett effect of all above
Reserves	11 388 358	11 437 987	(49 629)	
TOTAL COMMUNITY WEALTH/EQUITY	119 474 003	144 990 750	(25 516 747)	

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1 538 120	-	1 538 120	
Call investment deposits	23 744 182	-	23 744 182	
Consumer debtors	6 000 119	-	6 000 119	
Other Receivables	29 515	-	29 515	
Current portion of long-term receivables	8 490	-	8 490	
Inventory	-	-	-	
Total current assets	31 320 426	-	31 320 426	
Non current assets				
Long-term receivables	41 621	-	41 621	
Investments	-	-	-	
Investment property	10 214 723	-	10 214 723	
Property, plant and equipment	120 346 947	2 457 119	122 804 066	Possible RBIG funds to be received
Biological Assets	-	-	-	
Intangible Assets	24 759	-	24 759	
Heritage Assets	-	-	-	
Total non current assets	130 628 050	2 457 119	133 085 169	
TOTAL ASSETS	161 948 476	2 457 119	164 405 595	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	370 388	-	370 388	
Trade and other payables	4 855 064	-	4 855 064	
Provisions and Employee Benefits	1 659 144	-	1 659 144	
Total current liabilities	6 884 596	-	6 884 596	
Non current liabilities				
Borrowing	12 530 249	-	12 530 249	
Provisions and Employee Benefits	12 530 249	-	12 530 249	
Total non current liabilities	19 414 845	-	19 414 845	
TOTAL LIABILITIES	142 533 631	2 457 119	144 990 750	
NET ASSETS				
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	131 095 644	2 457 119	133 552 763	
Reserves	11 437 987	-	11 437 987	
TOTAL COMMUNITY WEALTH/EQUITY	142 533 631	2 457 119	144 990 750	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	4 438 365	4 353 217	85 149	Increased supplementary roll
Property rates - penalties & collection charges	195 058	190 000	5 058	
Service charges	19 758 336	19 564 238	194 098	Higher consumption
Rental of facilities and equipment	327 129	339 214	(12 085)	Lower tenders for commonage
Interest earned - external investments	1 808 471	1 297 000	511 471	Higher interest rates
Interest earned - outstanding debtors	2 221	3 300	(1 079)	
Dividends received	-	-	-	
Fines	14 895	12 230	2 665	
Licences and permits	12 105	7 420	4 685	Higher sales
Agency services	178 420	103 333	75 087	More vehicle registrations
Government Grants and Subsidies - Operating	22 742 216	23 492 091	(749 875)	RBIG funds not received/MIG funds withheld
Other revenue	1 783 141	8 709 799	(6 926 658)	Donation PPE, Actuarial Gains, Contribution depreciation and debt impairment
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	51 260 359	58 071 842	(6 811 483)	
EXPENDITURE BY TYPE				
Employee related costs	17 101 451	19 563 322	(2 461 871)	Vacancies
Remuneration of councillors	2 129 257	2 062 366	66 891	Government Gazette advertised more than budgeted
Debt impairment	228 859	2 436 881	(2 208 022)	Higher payment rate over 30 days
Depreciation & asset impairment	3 405 623	4 322 911	(917 288)	Remaining useful life assessment
Finance charges	1 889 339	831 014	1 158 324	Adjustment on Landfill sites
Bulk purchases	9 515 667	9 698 001	(182 334)	
Other materials	929 948	1 676 267	(746 319)	Cash flow related
Contracted services	1 100 434	1 115 900	(15 466)	
Grants and subsidies paid	8 975 821	8 986 052	(10 231)	
Other expenditure	8 453 540	9 077 128	(623 588)	Savings on fuel, telephone and audit fees
Loss on disposal of PPE	1 809	2 000	(191)	
Total Operating Expenditure	53 831 747	59 771 842	(5 940 095)	
Operating Deficit for the year	(2 571 389)	(1 700 000)	(871 389)	
Government Grants and Subsidies - Capital	7 042 151	10 285 119	(3 242 968)	RBIG funds not received/MIG funds withheld
Net Surplus for the year	4 470 763	8 585 119	(4 114 356)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
Property rates	4 353 217	-	4 353 217	
Property rates - penalties & collection charges	190 000	-	190 000	
Service charges	19 564 238	-	19 564 238	
Rental of facilities and equipment	339 214	-	339 214	
Interest earned - external investments	1 297 000	-	1 297 000	
Interest earned - outstanding debtors	3 300	-	3 300	
Dividends received	-	-	-	
Fines	12 230	-	12 230	
Licences and permits	7 420	-	7 420	
Agency services	103 333	-	103 333	
Government Grants and Subsidies - Operating	23 060 000	432 091	23 492 091	RRGG funds not received/MIG funds withheld
Other revenue	8 425 799	284 000	8 709 799	Donation PPE, Actuarial Gains, Contribution depreciation and debt impairment
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	57 355 751	716 091	58 071 842	
EXPENDITURE BY TYPE				
Employee related costs	16 881 136	2 662 186	19 563 322	Adjustment on grants
Remuneration of councillors	2 062 366	-	2 062 366	
Debt impairment	2 436 881	-	2 436 881	
Depreciation & asset impairment	4 322 911	-	4 322 911	
Finance charges	831 014	-	831 014	
Bulk purchases	9 698 001	-	9 698 001	
Other materials	469 100	1 207 167	1 676 267	Adjustment on grants
Contracted services	515 900	600 000	1 115 900	Adjustment on grants
Grants and subsidies paid	9 303 352	(317 300)	8 986 052	Adjustment on grants
Other expenditure	12 633 090	(3 555 962)	9 077 128	Adjustment on grants
Loss on disposal of PPE	2 000	-	2 000	
Total Operating Expenditure	59 155 751	616 091	59 771 842	
Operating Surplus/(Deficit) for the year	(1 800 000)	100 000	(1 700 000)	
Government Grants and Subsidies - Capital	7 928 000	2 357 119	10 285 119	RRBG funds not received/MIG funds withheld
Net Surplus for the year	6 128 000	2 457 119	8 585 119	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property Rates	4 508 410	3 177 848	1 330 562	Increased supplementary roll
Service Charges	18 049 879	18 586 024	(536 145)	Lower payment rate
Other Revenue	1 846 217	9 625 563	(7 979 346)	Donation PPE, Actuarial Gains, Contribution depreciation and debt impairment
Government - Operating	23 150 211	22 946 936	203 275	
Government - Capital	7 449 091	10 285 119	(2 836 028)	RBIG funds not received/MIG funds withheld
Interest	1 752 717	1 170 600	582 117	Higher interest rates
Dividends	-	-	-	
Payments				
Suppliers and Employees	(37 625 869)	(43 194 984)	5 569 115	Vacancies, cash flow related and debt impairment
Finance charges	(1 989 338)	(831 014)	(1 158 324)	Adjustment on Landfill sites
Transfers and Grants	(8 975 821)	(8 986 052)	10 231	
NET CASH FROM/(USED) OPERATING ACTIVITIES	7 965 496	12 780 040	(4 814 544)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	4 040	-	4 040	
Decrease/(increase) In non-current receivables	8 727	8 490	237	
Decrease/(increase) In non-current investments	-	-	-	
Payments				
Capital assets	(7 113 239)	(10 385 119)	3 271 880	RBIG funds not received/MIG funds withheld
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7 100 472)	(10 376 629)	3 276 157	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) In consumer deposits	12 180	10 000	2 180	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	12 180	10 000	2 180	
NET INCREASE/(DECREASE) IN CASH HELD	877 204	2 413 411	(1 536 206)	
Cash and Cash Equivalents at the beginning of the year	22 376 445	22 888 890	(492 445)	Nett effect of all above
Cash and Cash Equivalents at the end of the year	23 253 650	25 282 301	(2 028 651)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	3 177 848	-	3 177 848	
Service charges	18 586 024	-	18 586 024	
Other revenue	8 796 408	829 155	9 625 563	Possible RBIG funds VAT to be received
Government - operating	23 060 000	(113 064)	22 946 936	
Government - capital	7 928 000	2 357 119	10 285 119	Possible RBIG funds to be received
Interest	1 170 600	-	1 170 600	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(42 261 593)	(933 391)	(43 194 984)	Adjustment on grants
Finance charges	(831 014)	-	(831 014)	
Transfers and Grants	(9 303 352)	317 300	(8 986 052)	Adjustment on grants
NET CASH FROM/(USED) OPERATING ACTIVITIES	10 322 921	2 457 119	12 780 040	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) In non-current receivables	8 490	-	8 490	
Decrease/(increase) In non-current investments	-	-	-	
Payments				
Capital assets	(7 928 000)	(2 457 119)	(10 385 119)	Possible RBIG funds to be received
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7 919 510)	(2 457 119)	(10 376 629)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) In consumer deposits	10 000	-	10 000	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	10 000	-	10 000	
NET INCREASE/(DECREASE) IN CASH HELD	2 413 411	-	2 413 411	
Cash and Cash Equivalents at the beginning of the year	22 868 890	-	22 868 890	
Cash and Cash Equivalents at the end of the year	25 282 301	-	25 282 301	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Standard	Description	Effective Date
IGRAP17	<p><u>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</u></p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.9.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable where applicable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met.

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days, limited to 48 days, due to employees at year-end and also on the total salary of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal performance bonus provisions are based on the performance contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Municipal land and building qualify as property, plant and equipment when the property is registered at the Deeds Office in the name of the Municipality or any identifiable unknown registered property.

Biological assets of the Municipality qualify as property plant and equipment as it is for recreation purposes. The Municipality controls the asset as a result of past events. Biological assets are initially measured at their fair value less cost to sell. The fair value of game is determined based on market prices of game. Initial recognition will be adjusted in each year a tender is issued to control the game numbers. A gain or loss arising on initial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.14.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.14.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5-101	Buildings	8-52
Refuse	5-101	Specialist vehicles	3-30
Electricity	5-101	Other vehicles	5-30
Water	5-101	Office equipment	2-40
Sewerage	5-101	Furniture and fittings	1-40
Housing	10-50	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	8-52	Equipment	10-30
Recreational Facilities	10-101	Other plant and	
Security	30	Equipment	1-40
Halls	8-45	Landfill sites	12-70

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Libraries	25-45	Quarries	25
Parks and gardens	45	Emergency equipment	5-20
Other assets	8-34	Computer equipment	2 -30
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-11
Computer Software Licenses	5-10

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.17 HERITAGE ASSETS

1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. INVENTORIES

1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the volume of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.20.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.20.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.20.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20.3 De-recognition of Financial Instruments

1.20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is not material and thus not disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage removals on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of management of the Municipality;
- (b) a member of management of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the management who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All managers or council of the Municipality, being the Mayor and members of the Council.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.28.1 *Post-retirement medical obligations and long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill sites are recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to Council approval.

1.28.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.32. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
2 NET ASSET RESERVES		
RESERVES	11 388 358	11 385 822
Capital Replacement Reserve	11 347 812	11 347 812
Housing Development fund	40 546	38 010
Revaluation Reserve	-	-
Total Net Asset Reserves	11 388 358	11 385 822
	2016 R	2015 R
3 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	8 271 402	7 511 000
Long Service Awards - Refer to Note 3.2	727 983	907 000
Total Non-current Employee Benefit Liabilities	8 999 385	8 418 000
<u>Post Retirement Benefits</u>		
Balance 1 July	7 772 000	7 619 334
Contribution for the year	845 000	998 481
Expenditure for the year	(235 402)	(180 038)
Actuarial Loss	144 864	(665 727)
Total post retirement benefits 30 June	8 526 462	7 772 000
Less: Transfer of Current Portion - Note 6	(255 060)	(261 000)
Balance 30 June	8 271 402	7 511 000
<u>Long Service Awards</u>		
Balance 1 July	1 109 000	1 005 846
Contribution for the year	155 000	135 415
Expenditure for the year	(260 492)	(128 069)
Actuarial (Gain)	(90 235)	93 808
Total long service awards 30 June	913 273	1 109 000
Less: Transfer of Current Portion - Note 6	(185 290)	(202 000)
Balance 30 June	727 983	907 000
TOTAL NON-CURRENT EMPLOYEE BENEFITS		
Balance 1 July	8 881 000	8 625 180
Contribution for the year	1 000 000	1 133 896
Expenditure for the year	(495 894)	(306 156)
Actuarial Loss/(Gain)	54 629	(571 819)
Total employee benefits 30 June	9 439 735	8 881 000
Less: Transfer of Current Portion - Note 6	(440 350)	(463 000)
Balance 30 June	8 999 385	8 418 000
3.1 Post Retirement Benefits	2016 R	2015 R
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employees) members	12	11
Continuation members (e.g. Retirees, widows, orphans)	7	7
Total Members	19	18
The liability in respect of past service has been estimated to be as follows:		
In-service members	5 413 393	4 570 000
Continuation members	3 113 069	3 202 000
Total Liability	8 526 462	7 772 000
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2014 R	2013 R
In-service members	7 016 441	5 749 138
Continuation members	602 693	1 246 736
Total Liability	7 619 134	6 995 874
Experience adjustments were calculated as follows:	2016 Rm	2015 Rm
Liabilities (Gain) / loss	0,332	0,287
Assets Gain / (loss)	-	-
The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:	2014 Rm	2013 Rm
Liabilities (Gain) / loss	(0,035)	0,280
Assets Gain / (loss)	-	-
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Hosmed		
LA Health		
The Municipality's Accrued Unfunded Liability at 30 June 2016 is estimated at R8,526 million. The Current-service Cost for the year ending 30 June 2016 is estimated at R214,000. It is estimated to be R314,812 for the ensuing year.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3

EMPLOYEE BENEFITS (CONTINUE)

Key actuarial assumptions used:

i) Rate of Interest

	2016 %	2015 %
Discount rate	9,13%	8,14%
Health Care Cost Inflation Rate	8,25%	7,44%
Net Effective Discount Rate	0,82%	0,85%

Discount Rate GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.13% per annum has been used. The corresponding index-linked yield at this term is 1.76%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 28 June 2016.

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

iv) Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

v) Expected rate of salary increases

2016/2017 - average CPI (Feb 2015 – Jan 2016) + 1 per cent
2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent

The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Present value of fund obligations	8 526 462	7 772 000
Total Liability	8 526 462	7 772 000

Reconciliation of present value of fund obligations:

Present value of fund obligation at the beginning of the year	7 772 000	7 818 334
Total expenses	609 598	818 393
Current service cost	214 000	342 612
Interest Cost	631 000	855 088
Benefits Paid	(235 482)	(180 088)
Actuarial (gains)/losses	144 864	(665 727)
Present value of fund obligation at the end of the year	8 526 462	7 772 000
Less: Transfer of Current Portion - Note 6	(255 060)	(261 000)
Balance 30 June	8 271 402	7 511 000

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5,413	3,113	8,526	
Health care inflation	1%	6,256	3,413	9,668	13%
Health care inflation	-1%	4,712	2,852	7,564	-11%
Discount Rate	1%	4,722	2,858	7,578	-11%
Discount Rate	-1%	6,256	3,414	9,670	13%
Post-retirement mortality	-1 year	5,616	3,249	8,865	4%
Average retirement age	-1 year	5,895	3,113	9,008	5%
Continuation of membership at retirement	-10%	4,872	3,113	7,985	-8%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2017

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		314 800	767 100	1 081 900	
Health care inflation	1%	372 000	871 400	1 243 400	15%
Health care inflation	-1%	266 900	670 200	947 200	-12%
Discount Rate	1%	271 200	755 100	1 026 300	-5%
Discount Rate	-1%	366 200	776 100	1 142 300	8%
Post-retirement mortality	-1 year	352 100	798 100	1 150 200	4%
Average retirement age	-1 year	352 100	811 100	1 163 200	8%
Continuation of membership at retirement	-10%	271 200	717 700	988 900	-7%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 57 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2016 is R 76,000. The Current-service Cost for the ensuing year has been estimated to be R 67,366.

Key actuarial assumptions used:

i) Rate of Interest

	2016 %	2015 %
Discount rate	8,44%	7,26%
General Salary Inflation (long-term)	7,30%	6,52%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1,07%	0,69%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3 EMPLOYEE BENEFITS (CONTINUE)

2016
R2015
R

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. Consequently, a discount rate of 8.44% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.55%. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 28 June 2016.

Experience adjustments were calculated as follows:

Liabilities (Gain) / loss	(67 443)	(27 192)
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 Rm	2013 Rm	2012 Rm
Liabilities (Gain) / loss	69 081	67 707	28 420
Assets: Gain / (loss)	-	-	-

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	913 273	1 109 000
Net liability/(asset)	913 273	1 109 000

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 109 000	1 005 840
Total expenses	(105 492)	9 348
Current service cost	76 000	82 808
Interest Cost	79 000	72 517
Benefits Paid	(260 492)	(125 089)
Actuarial losses/(gains)	(90 235)	93 808
Present value of fund obligation at the end of the year	913 273	1 109 000
Less: Transfer of Current Portion - Note 6	(165 290)	(202 000)
Balance 30 June	727 983	907 000

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0,913	
General salary inflation	1%	0,957	5%
General salary inflation	-1%	0,873	-4%
Discount Rate	1%	0,886	-5%
Discount Rate	-1%	0,862	3%
Average retirement age	-2 yrs	0,645	-29%
Average retirement age	2 yrs	1,011	11%
Withdrawal rates	-50%	0,989	8%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2017

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		67 400	115 100	136 900	
General salary inflation	1%	72 300	73 100	145 400	6%
General salary inflation	-1%	62 000	66 100	128 000	-6%
Discount Rate	1%	63 300	73 500	136 800	0%
Discount Rate	-1%	66 000	64 800	130 800	0%
Average retirement age	-2 yrs	66 000	46 800	99 700	-27%
Average retirement age	2 yrs	76 100	77 700	153 800	12%
Withdrawal rates	-50%	80 000	75 900	155 900	14%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25 31.

CAPE RETIREMENT FUND2016
R2015
R

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100.00% (30 June 2014 - 99.90%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 153.10% (30 June 2014 - 101.70%).

Contributions paid recognised in the Statement of Financial Performance

1 390 139

1 276 019

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
4 NON-CURRENT PROVISIONS		
Provis on for Rehabilitation of Landfill-sites	22 005 620	21 566 021
Total Non-current Provisions	22 005 620	21 566 021
<u>Landfill Sites</u>		
Balance 1 July	21 566 021	20 639 188
Balance previously reported	-	2 763 484
Correction of Error - Note 34,02	-	(2 763 484)
Correction of Error - Note 34,02	-	20 639 188
Increase in Estimate	(839 739)	(154 159)
Balance previously reported	-	(603 668)
Correction of Error - Note 34,02	-	603 668
Correction of Error - Note 34,02	-	(154 159)
Unwinding of discounted interest	1 279 338	1 081 012
Balance previously reported	-	144 742
Correction of Error - Note 34,02	-	(144 742)
Correction of Error - Note 34,02	-	1 081 012
Total provision 30 June	22 005 620	21 566 021
<u>Leas</u> : Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	22 005 620	21 566 021

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Data of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation 2016 R	Cost of rehabilitation 2015 R
Camarvon	2036	12 237 723	12 019 741
Vanwyksvlei	2085	5 027 709	4 816 065
Vosburg	2011	4 740 188	4 630 215
		22 005 620	21 566 021

	2011	2016	2015
Discount Rate used	4,71%	5,24%	5,03%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

	2016 R	2015 R
5 CONSUMER DEPOSITS		
Water & Electricity	320 339	308 158
Total Consumer Deposits	320 339	308 158

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2016 R	2015 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	255 060	261 000
Current Portion of Long-Service Provisions - Note 3	185 290	202 000
Provision for Performance Bonuses	283 709	184 453
Provis on for Annual Bonuses	247 843	244 974
Provision for Staff Leave	1 144 773	1 027 134
Total Current Employee Benefits	2 116 675	1 919 560

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	261 000	88 380
Transfer from non-current	229 462	352 708
Expenditure incurred	(235 402)	(180 088)
Balance at end of year	255 060	261 000

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	202 000	130 836
Transfer from non-current	243 782	197 133
Expenditure incurred	(260 492)	(126 059)
Balance at end of year	185 290	202 000

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
6 CURRENT EMPLOYEE BENEFITS (CONTINUE)		
<u>Provision for Performance Bonuses</u>		
Balance at beginning of year	184 453	165 843
Contribution to current portion	420 683	164 820
Expenditure incurred	(321 427)	(146 210)
Balance at end of year	<u>283 709</u>	<u>184 453</u>
Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance was approved by the council. There is no possibility of reimbursement.		
<u>Provision for Staff Leave</u>		
Balance at beginning of year	1 027 134	1 043 200
Contribution to current portion	422 028	245 757
Expenditure incurred	(305 289)	(261 824)
Balance at end of year	<u>1 144 773</u>	<u>1 027 134</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave up to 40 days, at reporting date. This provision will be realised as employees take leave.		
<u>Provision for Annual Bonuses</u>		
Balance at beginning of year	244 974	230 785
Contribution to current portion	2 869	14 189
Balance at end of year	<u>247 843</u>	<u>244 974</u>
Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.		
7 PAYABLES FROM EXCHANGE TRANSACTIONS	2016 R	2015 R
Trade Payables	328 727	735 390
Payments received in advance	176 895	189 306
Other Payables	1 228	1 226
Total Trade Payables	<u>506 649</u>	<u>925 922</u>
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Payables are being recognised net of any discounts.		
8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2016 R	2015 R
Unspent Grants	1 528 110	1 804 727
National and Provincial Government Grants	<u>1 528 110</u>	<u>1 804 727</u>
Total Conditional Grants and Receipts	<u>1 528 110</u>	<u>1 804 727</u>
The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
9 TAXES	2016 R	2015 R
VAT Payable	-	-
Less: Contribution to provision for impairment of trade receivables from exchange transactions	-	-
	<u>-</u>	<u>-</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation at Carrying Value

Reconciliation of Carrying Value													
	Cost			Accumulated Impairments			Accumulated Depreciation			Carrying Value			
	Opening Balance R	Additions R	WIP R	Disposals/Revaluation/ Transfers R	Closing Balance R	Opening Balance R	Additions R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals R	Closing Balance R	
Land and Buildings	24 439 716	290 270	-	-	24 729 986	405	-	405	799 374	85 557	-	884 932	23 844 650
Land	21 595 500	250 270	-	-	21 595 500	-	-	-	759 374	85 557	-	884 932	21 595 500
Buildings	2 854 216	250 270	-	-	3 144 486	405	-	405	759 374	85 557	-	884 932	2 259 150
Infrastructure	84 728 810	3 359 263	1 511 723	300 341	89 300 535	-	-	-	12 361 726	2 598 685	299 398	14 658 993	74 641 543
Electricity	5 360 278	-	-	2 247	5 358 031	-	-	-	957 221	208 689	2 245	1 163 674	4 194 357
Road Transport	41 033 752	1 302 732	-	278 331	42 614 815	-	-	-	3 719 007	1 133 445	275 535	4 578 918	37 543 230
Sanitation	19 533 737	1 949 107	-	21 763	21 481 100	-	-	-	3 665 357	874 438	21 618	4 518 177	16 942 923
Solid Waste Disposal	1 377 431	-	-	-	1 377 431	-	-	-	278 501	80 537	-	359 038	1 016 394
Stormwater	478 395	-	-	-	478 395	-	-	-	143 892	31 030	-	175 020	303 357
Water Supply	14 223 874	47 424	-	-	14 271 298	-	-	-	3 397 648	468 510	-	3 866 158	10 405 140
WIP	2 722 412	-	1 511 723	-	4 234 136	-	-	-	-	-	-	-	4 234 136
Community Assets	8 168 389	1 669 694	180 824	-	11 028 677	3 592	10 248	13 839	1 373 552	269 868	-	1 643 250	9 371 589
Recreation Grounds	5 938 707	1 669 694	-	-	7 608 401	-	-	-	595 309	195 525	-	790 834	6 800 318
Civil Buildings	411 277	-	-	-	411 277	-	10 248	10 248	233 245	6 847	-	240 092	171 185
Cemetery	18 000	-	-	-	18 000	-	-	-	4 488	519	-	5 015	12 805
Museum	450 000	-	-	-	450 000	-	-	-	112 402	12 895	-	125 297	324 614
Clinic	451 000	-	-	-	451 000	-	-	-	112 052	13 013	-	125 065	325 335
Libraries	894 167	-	-	-	894 167	-	-	-	200 454	28 371	-	228 825	665 341
Parks & Gardens	41 070	-	-	-	41 070	-	-	-	23 282	884	-	23 978	17 095
Public Conveniences/Bathrooms	208 447	-	-	-	208 447	-	-	-	65 703	13 753	-	80 456	128 000
WIP	758 681	-	180 824	-	939 505	3 592	-	3 592	-	-	-	-	947 315
Other Assets	6 058 638	450 831	-	71 528	6 430 940	-	-	10 910	4 023 819	287 864	70 880	4 250 004	2 177 148
Motor Vehicles	2 654 178	-	-	-	2 654 178	-	-	-	1 981 847	93 224	-	2 051 171	503 007
Plant & Equipment	1 144 727	317 568	-	9 341	1 452 054	-	-	-	712 065	94 023	9 300	768 469	654 455
Office Equipment	429 507	7 500	-	9 375	428 032	-	-	-	273 018	17 718	9 350	291 387	146 644
Furniture & Fittings	778 415	30 242	-	16 609	792 049	-	-	-	451 987	34 050	20 600	468 147	325 901
Fire Engines	17 207	-	-	-	14 894	2 313	-	-	12 833	4 104	14 802	1 875	439
Computer Equipment	543 784	38 298	-	16 653	565 419	-	-	-	247 875	37 249	18 577	258 547	208 072
Refuse Tankers	382 736	-	-	-	382 736	-	-	-	333 362	9 086	-	343 288	48 478
Game	88 684	57 222	-	4 646	151 200	10 910	-	10 910	-	-	-	-	140 350
	124 307 604	5 770 057	1 702 347	371 669	131 488 139	14 906	10 248	25 154	18 558 472	3 249 684	370 257	21 438 059	110 034 927

KAREBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Wip- costs R	Cost -costs/Revaluation/Trans- R	Closing Balance R	Operating Balance R	Accumulated Impairments Additions R	Closing Balance R	Dysmaling Balance R	Accumulated Depreciation Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	29 623 083	96 633	-	5 280 000	24 436 716	-	-	405	715 339	84 036	-	799 374	23 636 937
Land	26 065 500	-	-	5 280 000	21 385 500	-	-	-	-	-	-	-	21 385 500
Balance previously reported	27 091 700	-	-	5 280 000	21 811 700	-	-	-	-	-	-	-	21 811 700
Correction of Error - Note 34.01	(226 200)	-	-	-	(226 200)	-	-	-	-	-	-	-	(226 200)
Buildings	2 757 583	96 633	-	-	2 854 216	-	-	405	715 339	84 036	-	799 374	2 054 437
Infrastructure	76 950 852	2 565 076	5 205 063	-	84 720 891	-	-	-	10 202 647	2 159 079	-	12 361 726	72 368 164
Electricity	5 360 278	2 565 076	2 483 450	-	5 360 278	-	-	-	748 217	209 004	-	957 221	4 403 057
Road Transport	35 085 226	-	-	-	41 033 752	-	-	-	3 001 874	717 133	-	3 719 007	37 315 745
Sewerage	10 533 757	-	15 625	-	10 549 382	-	-	-	3 181 352	674 005	-	3 855 357	15 684 024
Solid Waste Disposal	1 377 431	-	-	-	1 377 431	-	-	-	216 449	52 062	-	278 501	1 098 931
Stormwater	14 478 385	-	-	-	14 478 385	-	-	-	112 979	51 013	-	164 992	14 313 393
Water Supply	14 223 874	-	2 706 788	-	16 930 662	-	-	-	2 931 779	485 072	-	3 307 848	13 532 814
Community Assets	7 336 249	1 350 752	756 601	283 332	9 166 360	-	3 592	-	1 223 377	431 323	281 140	1 373 552	7 781 216
Recreation Grounds	4 824 207	1 350 752	-	43 332	5 930 707	-	-	-	467 101	171 333	43 128	595 309	5 344 388
Civil Buildings	651 277	-	-	240 000	411 277	-	-	-	279 428	191 847	238 022	233 245	176 032
Cemetery	18 000	-	756 601	-	774 601	-	-	-	3 077	619	-	4 690	770 189
Museum	450 000	-	-	-	450 000	-	-	-	99 417	12 905	-	112 402	337 598
Clinic	451 000	-	-	-	451 000	-	-	-	99 038	13 013	-	112 052	335 348
Libraries	894 187	-	-	-	894 187	-	-	-	180 033	28 371	-	208 454	687 713
Parks & Gardens	41 070	-	-	-	41 070	-	-	-	22 608	684	-	23 292	17 778
Public Conveniences/Bathrooms	208 447	-	-	-	208 447	-	3 592	-	71 132	14 571	-	85 703	117 153
Other Assets	6 475 255	105 323	-	520 940	6 059 638	-	10 910	-	4 091 499	314 769	382 478	4 023 319	2 024 809
Motor Vehicles	2 654 176	-	-	-	2 654 176	-	-	-	1 878 043	112 804	-	1 991 847	662 331
Plant & Equipment	1 150 831	9 933	-	18 037	1 144 727	-	-	-	682 072	48 878	15 064	712 985	431 742
Office Equipment	441 277	-	-	-	441 277	-	-	-	283 454	20 631	-	273 019	168 888
Furniture & Fixings	874 951	45 513	-	142 048	778 415	-	-	-	517 696	75 625	141 323	451 807	326 418
Fire Engines	17 207	-	-	-	17 207	-	-	-	12 178	457	-	12 633	4 573
Computer Equipment	586 012	3 277	-	57 595	543 784	-	-	-	259 365	45 595	57 104	247 875	295 909
Refuse Tankers	540 766	-	-	157 030	392 736	-	-	-	477 673	12 710	157 021	333 362	59 374
Game	189 034	48 600	-	130 950	96 604	-	10 910	-	10 010	-	-	-	87 774
	120 353 539	4 125 793	5 962 554	6 084 272	124 307 604	-	14 906	-	16 232 851	2 999 237	663 626	10 659 472	105 824 228

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Assets pledged as security:		
No assets are pledged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	-	-
Surplus/Deficit	-	-
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	405
Community Assets	10 248	3 582
Other	-	10 810
	<u>10 248</u>	<u>14 806</u>

Effect of changes in accounting estimates

The effect of a change in accounting estimate will have on the current period and subsequent periods:

	2016 R	2017 R	2018 R
Effect on Property, plant and equipment	<u>52 805</u>	<u>338 032</u>	<u>338 032</u>

11 INVESTMENT PROPERTY

Net Carrying amount at 1 July

15 463 392 10 185 722

Cost

15 582 100

10 282 100

Balance previously reported

10 301 100

Correction of error Refer to note 34.04

(19 000)

Accumulated Depreciation

(88 708)

(85 378)

Depreciation for the year

(12 364)

(12 330)

Transfers from Property, Plant and equipment

-

5 280 000

Net Carrying amount at 30 June

15 451 029

15 483 392

Cost

15 582 100

15 582 100

Accumulated Depreciation

(111 071)

(85 708)

Fair value of these investment property is R20114700 and expenditure of R9536 was identified on these investment properties.

Revenue derived from the rental of investment property

281 783

344 185

Operating expenditure incurred on properties generating revenue

9 536

18 547

Operating expenditure incurred on properties not generating revenue

-

-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs and maintenance or enhancements.

Estimated Fair Value of Investment Property at 30 June

20 114 700

19 214 400

Fair value was determined by valuation roll.

12 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

18 371

25 188

Cost

203 610

203 614

Balance previously reported

203 614

Correction of Error - Note 33.04

-

Accumulated Amortisation

(185 238)

(178 425)

Acquisitions

3 158

-

Disposals

(2 105)

(4)

Amortisation

(6 443)

(5 813)

Disposal Amortisation

2 105

-

Net Carrying amount at 30 June

15 086

18 371

Cost

204 862

203 610

Accumulated Amortisation

(189 577)

(185 238)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2016 R	2015 R
VIP Salary System	5	263	329
Capman Personal System	5	10 356	12 945
MS Office	2-3	4 467	5 097

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2014 R	2015 R
13 HERITAGE ASSETS		
Net Carrying amount at 1 July	19 176	19 176
Transfers to Property, Plant and equipment	(4 276)	-
Net Carrying amount at 30 June	14 900	19 176
Cost	14 900	19 176
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal		
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
There are no Heritage Assets pledged as security for liabilities		
There are no Heritage Assets that are used by the municipality for more than one purpose		
Third party payments received for losses and impairments incurred:		
Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost/impairment	-	-
Surplus/Deficit	-	-
14 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	3 272 628	3 538 858
Cost	5 913 418	5 087 577
Balance previously reported		900 096
Correction of Error - Note 34,03		(900 096)
Correction of Error - Note 34,03		6 067 577
Accumulated Depreciation	(2 284 830)	(2 142 235)
Balance previously reported		(123 838)
Correction of Error - Note 34,03		123 838
Correction of Error - Note 34,03		(2 142 235)
Accumulated Impairments	(355 860)	(386 466)
Balance previously reported		(58 268)
Correction of Error - Note 34,03		58 268
Correction of Error - Note 34,03		(386 466)
Acquisitions	(639 739)	(154 158)
Balance previously reported		85 253
Correction of Error - Note 34,03		(85 253)
Correction of Error - Note 34,03		(154 158)
Depreciation for the year	(136 933)	(142 595)
Balance previously reported		(20 487)
Correction of Error - Note 34,03		20 487
Correction of Error - Note 34,03		(142 595)
Impairment	39 781	30 528
Balance previously reported		4 087
Correction of Error - Note 34,03		(4 087)
Correction of Error - Note 34,03		30 528
Net Carrying amount at 30 June	2 335 736	3 272 628
Cost	5 073 679	5 913 418
Accumulated Depreciation	(2 421 763)	(2 284 830)
Accumulated Impairments	(316 179)	(355 860)
Restoration cost financed by way of a provision - Refer to note 4 for further details		
15 LONG TERM RECEIVABLES		
Officials' Housing Loans - At amortised cost	48 984	58 712
Less: Unamortised Discount on Loans	(8 200)	(10 078)
Balance 1 July	(10 678)	(13 673)
Adjustment for the period	2 478	2 995
	41 784	48 034
Less: Current portion transferred to current receivables	(7 585)	(8 727)
Officials Housing Loans - At amortised cost	(7 585)	(8 727)
	34 200	39 306
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	34 200	39 306
STAFF HOUSING LOANS		
Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When an employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
16 INVENTORY		
Consumable Stores - Stationery and materials - At cost	527 836	527 836
Balance previously reported		-
Correction of Error - Note 34.05		527 836
Total Inventory	527 836	527 836
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surpluses identified during the annual stores counts.	-	-
No inventory assets were pledged as security for liabilities.		
17 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	715 041	624 785
Electricity	873 087	444 679
Refuse	399 785	210 448
Sewerage	494 241	485 306
Payments received in advance	176 695	189 306
Total Service Receivables	2 658 849	1 954 525
Less: Provision for Impairment	(840 385)	(537 424)
Net Service Receivables	1 818 464	1 417 101
Other Receivables		
Sundry Receivables	1 159 349	810 570
Rentals	257 331	328 735
VAT	632 739	602 390
Total Other Receivables	2 049 419	1 741 695
Less: Provision for Impairment	(257 331)	(328 735)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(379 139)	(378 055)
Net Other Receivables	1 412 949	1 034 955
Total Net Receivables from Exchange Transactions	3 231 412	2 452 056
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	654 360	377 302
31 - 60 Days	50 839	(8 604)
61 - 90 Days	13 189	11 774
+ 90 Days	154 896	84 208
Total	873 087	444 679
(Water): Ageing		
Current (0 - 30 days)	361 442	378 055
31 - 60 Days	134 226	83 438
61 - 90 Days	83 046	39 889
+ 90 Days	138 327	142 694
Total	716 041	624 785
(Refuse): Ageing		
Current (0 - 30 days)	275 878	180 205
31 - 60 Days	48 898	51 417
61 - 90 Days	35 941	12 781
+ 90 Days	41 301	(13 953)
Total	399 785	210 448
(Sewerage): Ageing		
Current (0 - 30 days)	241 114	220 816
31 - 60 Days	74 857	53 078
61 - 90 Days	68 583	34 408
+ 90 Days	109 687	176 103
Total	494 241	485 306
(Sundry Receivables): Ageing		
Current (0 - 30 days)	472 595	1 034 055
31 - 60 Days	-	(224 385)
61 - 90 Days	-	-
+ 90 Days	686 754	-
Total	1 159 349	810 570
(VAT): Ageing		
Current (0 - 30 days)	253 600	224 385
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	379 139	378 005
Total	632 739	602 390
(Rentals): Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	5 339
+ 90 Days	257 331	323 397
Total	257 331	328 735

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 R	2015 R
<i>Service Receivables</i>		
Rates	1 863 084	1 870 564
Total Service Receivables	1 863 084	1 870 564
Less: Provision for Impairment	(1 859 069)	(1 861 767)
Net Service Receivables	4 015	8 797
Total Net Receivables from Non-Exchange Transactions	4 015	8 797

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	4 015	8 797
31 - 60 Days	-	6 971
61 - 90 Days	-	13 075
+ 90 Days	1 859 069	1 841 721
Total	1 863 084	1 870 564

(Other Receivables): Ageing

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	-	-

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2016				
Total Receivables	4 834 404	83 514	1 653 433	6 571 351
Less: Provision for Impairment	(2 956 785)	-	-	(2 956 785)
Less: Provision for Impairment (VAT)	(379 139)	-	-	(379 139)
Total Recoverable debtors by customer classification	1 498 480	83 514	1 653 433	3 235 427

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2015				
Total Receivables	4 374 622	94 602	1 097 560	5 566 784
Less: Provision for Impairment	(2 727 926)	-	-	(2 727 926)
Less: Provision for Impairment (VAT)	(378 005)	-	-	(378 005)
Total Recoverable debtors by customer classification	1 268 691	94 602	1 097 560	2 460 853

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2016			
Total	1 097 716	1 859 069	2 956 785
2015			
Total	866 159	1 861 767	2 727 926

Monthly rate debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.
The fair value receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2016 R	2015 R
Balance at beginning of the year	3 105 931	3 443 246
Contributions to provision	228 659	-
VAT contribution to Impairment provision	1 134	134 306
Impairment written off against provision	-	(471 620)
Balance at end of year	3 335 724	3 105 931

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19

OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	37 669	31 561
Balance previously reported		29 515
Operating Lease Asset previously year not recognised correctly - Note 34,06 and Note 34,07		2 046
Operating Lease Asset for the current year	2 736	6 108
Balance previously reported		5 617
Operating Lease Asset previously year not recognised correctly - Note 34,06 and Note 34,08		491
Balance on 30 June	40 405	37 669

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

The municipality is leasing a piece of land to Vodacom for a period of 119 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to Vodacom for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to Sentech for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to emerging farmers for a period of 60 months with escalations of 6% per year.

The municipality is leasing advertising rights to Primedia for a period of 36 months with escalations of 7% per year.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

	2016 R	2015 R
Up to 1 Year	376 852	339 354
2 to 5 Years	956 263	1 209 244
More than 5 Years	25 743	151 814
Total Operating Lease Arrangements	1 360 858	1 700 212

This lease income was determined from a contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The lease is in respect of land being leased by MTN until 2017.

The lease is in respect of land being leased by Vodacom until 2022.

The lease is in respect of land being leased by Vodacom until 2017.

The lease is in respect of land being leased by Sentech until 2018.

The lease is in respect of land being leased by emerging farmers until 2018.

The lease is in respect of advertising rights by Primedia until August 2017.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

20

CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	22 804 624	22 125 577
Primary Bank Account (Cash book)	649 026	250 869
Total Cash and Cash Equivalents - Assets	23 253 650	22 376 446

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates the fair value.

Call Investments Deposits to an amount of R1 528 110 are held to fund the Unspent Conditional Grants (2015: R1 904 727).

Kareeberg Municipality do not have a bank overdraft facility.

The municipality has the following bank accounts:

Current Accounts

Camraron ABSA - Account Number 40 50 475 166 (Primary Bank Account):	649 026	250 869
	649 026	250 869
Camraron ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
Cash book balance at beginning of year	250 869	167 919
Cash book balance at end of year	649 026	250 869
Bank statement balance at beginning of year	2 209 826	1 812 054
Bank statement balance at end of year	1 723 800	2 209 826

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2016 R	2015 R
Call Investment Deposits					
Call investment deposits consist out of the following accounts:			Bank Certificates (excl. accruals)		
Account no	Place of investment	Name of fund			
20-5772-3631	ABSA	Capital Replacement Reserve	11 347 812	11 347 812	11 347 812
20-7477-9380	ABSA	Housing Fund	40 546	40 546	38 010
20-7477-9380	ABSA	Job creation - De Bult	41 023	41 023	38 458
20-7477-9380	ABSA	Land development	17 614	17 614	16 514
20-7477-9380	ABSA	Land development	16 072	16 072	15 088
20-7477-9380	ABSA	Land development	30 722	30 722	28 802
08-870-543-9	STANDARD BANK	Civil Defence	19 711	19 745	18 986
92-8617-3395	ABSA	EPWP Vosburg dust	-	-	288 797
20-7477-9380	ABSA	CMIP Kwaggakolk(VAT)	648	648	609
08-870-5536	STANDARD BANK	Sanitation Interest(VAT)	1 021 813	1 021 813	1 135 046
20-7477-9380	ABSA	Electricity	36 957	36 957	34 647
20-7477-9380	ABSA	Water Services Plan	3 455	3 455	3 239
20-7477-9380	ABSA	CMIP-Saalpoort project 301	3 793	3 793	3 556
20-7477-9380	ABSA	EPWP - Paving/ Cleaning	24 982	24 982	23 421
20-7477-9380	ABSA	Lotto Camarvon	1 918	1 918	1 799
20-7477-9380	ABSA	Lotto Vosburg	33 838	33 838	31 723
20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	142 264	142 349	133 356
20-7477-9380	ABSA	VB Cleaning Project	27 013	27 013	25 324
20-7477-9380	ABSA	VAT - retention	12 535	12 535	11 752
92-1221-8064	ABSA	Youth Development	93 632	93 632	93 632
92-1221-8064	ABSA	Leava Fund	2 589 598	2 589 598	2 565 580
92-1221-8064	ABSA	Retention	328 727	328 727	738 390
92-1221-8064	ABSA	Provision for Employee benefits	4 000 000	4 000 000	4 000 000
92-1221-8064	ABSA	Reserves	352 116	352 116	352 116
08-871-0777	STANDARD BANK	General Account	2 417 716	2 417 716	1 178 882
			22 604 505	22 604 624	22 125 877

21

PROPERTY RATES

Actual

Ratesable Land and Buildings

Residential, Commercial Property
State - National / Provincial Services

Less: Reductions
Less: Rebates

Total Assessment Rates

Valuations - 30 June 2016:

Ratesable Land and Buildings

Residential & Commercial Property
State - National / Provincial Services

Total Assessment Rates

Valuations - 30 June 2015:

Residential

State

State, Agriculture

Agriculture

Municipal

Schierfontein

Churches

Infrastructure

Public Benefit Organisations

Commonage

Commonage (rentals)

Infrastructure (arms)

Sport clubs

Total Property Valuations

Assessment Rates are levied on the values of immovable properties. A Supplementary roll was performed during 2015/16. The tariffs applicable are proclaimed by PK 41 dated 1 June 2015.

Rates are levied annually and are payable after due dates. Interest is levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

2016
R

2016
R

5 329 512

5 741 131

588 381

(454 427)

(1 677 372)

4 197 712

1 951 163 925

1 855 780 025

1 930 184 100

1 909 040 825

20 978 825

46 739 200

1 951 163 925

1 955 780 025

Valuation

20 978 825

93 000

345 800

178 000

13 290 800

-

171 683 600

961 600

-

-

221 730 725

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22	GOVERNMENT GRANTS AND SUBSIDIES	2016	2015
		R	R
	Unconditional Grants	18 021 000	15 096 000
	Equitable Share - Refer to Note 22,01	18 021 000	15 096 000
	Conditional Grants	11 763 367	14 482 021
	Department of Water Affairs and Forestry	1 512 299	2 706 788
	CMIIP Kwaggakolk (VAT)	-	112 586
	Municipal Systems Improvement Grant	819 651	829 753
	Sanitation - sewerage	99 327	116 117
	Library Development Projects	1 309 000	855 000
	Municipal Finance Management Grant	1 590 107	1 617 259
	Municipal Infrastructure Grant	5 174 737	6 956 434
	Expanded Public Works Program (PWPG)	975 753	1 000 000
	Expanded Public Works Program (EPWP Incentive)	282 492	289 084
	Total Government Grants and Subsidies	29 784 367	29 578 021
	Government Grants and Subsidies - Capital	7 042 151	16 026 175
	Government Grants and Subsidies - Operating	22 742 216	19 551 846
		29 784 367	29 578 021
	The municipality does not expect any significant changes to the level of grants, except MSIG.		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	18 021 000	15 096 000
	Executive & Council	4 413 719	7 338 719
	Budget & Treasury	7 349 648	7 349 648
	Waste Water Management	-	-
	Water	-	-
	Electricity	-	-
		29 784 367	29 784 367
22,01	Equitable share		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 10kl free water and 50kwh electricity per month, which is funded from this grant.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R396 per month to R807 per month (2015: R269 per month to R564 per month)		
	Grants received	18 021 000	15 096 000
	Conditions met	(18 021 000)	(15 096 000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
22,02	Municipal Infrastructure Grant (MIG)		
	Grants received	5 828 000	7 848 000
	Conditions met	(653 263)	(805 376)
	Conditions met - Capital	(5 174 737)	(6 042 624)
	Conditions still to be met	-	-
	The grant was used to upgrade infrastructure in the Kareeberg areas.		
22,03	Local Government Financial Management Grant (FMG)		
	Grants received	1 800 000	1 800 000
	Conditions met	(1 775 858)	(1 800 000)
	Conditions met - Capital	(24 342)	-
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
22,04	Municipal Systems Improvement Grant		
	Grants received	930 000	934 000
	Conditions met	(905 366)	(834 000)
	Conditions met - Capital	(24 614)	-
	Conditions still to be met	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems		
22,05	Library Development Projects		
	Grants received	1 309 000	855 000
	Conditions met	(1 176 880)	(715 207)
	Conditions met - Capital	(132 120)	(139 793)
	Conditions still to be met	-	-
	The grant was used for the development of libraries in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22,06	Youth Development		
	Opening balance	93 632	93 632
	Grants received	-	-
	Conditions still to be met	93 632	93 632
	The grant will be used for youth development related issues in the Kareeberg area.		
22,07	Expanded Public Works Program		
	Opening balance	288 797	588 562
	Grants received	-	-
	Conditions met	(201 742)	(62 796)
	Conditions met - Capital	(87 055)	(236 970)
	Conditions still to be met	(0)	288 797
	The grant was used for infrastructure development in the Kareeberg area. (Camarvon)		
22,08	Expanded Public Works Program (R1m)		
	Grants received	1 000 000	1 000 000
	Conditions met	(822 806)	(1 000 000)
	Conditions met - Capital	(177 195)	-
	Conditions still to be met	-	-
	The grant was used for labour (for example security services) in the Kareeberg area.		
22,09	Job Creation Do Built		
	Opening balance	38 458	36 695
	Interest received	2 565	1 783
	Conditions still to be met	41 023	38 458
	The grant will be used for job creation in the Kareeberg area. (Camarvon)		
22,10	Land Development		
	Opening balance	60 384	87 668
	Interest received	4 024	2 688
	Conditions still to be met	64 408	80 354
	The grant will be used for a land development plan in the Kareeberg area.		
22,11	Civil Defence		
	Opening balance	18 988	16 381
	Interest received	760	604
	Conditions still to be met	19 748	16 985
	The grant will be used for civil defence in the Kareeberg area.		
22,12	CMIP Kwaggakolk (VAT)		
	Opening balance	609	111 428
	Interest received	39	1 785
	Conditions met	-	(112 588)
	Conditions still to be met	648	609
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
22,13	Sanitation - sewerage		
	Opening balance	1 135 046	1 256 137
	Conditions met	(113 233)	(123 061)
	Conditions met - Capital	-	-
	Conditions still to be met	1 021 813	1 135 046
	The grant will be used for a sanitation maintenance in the Kareeberg area.		
22,14	Electricity		
	Opening balance	34 647	33 082
	Interest received	2 310	1 564
	Conditions still to be met	36 957	34 647
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
22,15	Water Service Plan		
	Opening balance	3 239	3 093
	Interest received	215	147
	Conditions still to be met	3 455	3 239
	The grant will be used for a water service plan in the Kareeberg area.		
22,16	CMIP - Baalpoort project 301		
	Opening balance	3 556	3 395
	Interest received	237	161
	Conditions still to be met	3 793	3 556
	The grant will be used for a bore hole water project in the Kareeberg area. (Camarvon)		
22,17	Paving Projects		
	Opening balance	23 421	22 365
	Interest received	1 561	1 057
	Conditions still to be met	24 982	23 421
	The grant will be used for a extended public works program in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
22,18	Lotto Camarvon		
	Opening balance	1 799	1 719
	Interest received	119	81
	Conditions still to be met	1 918	1 799
	The grant will be used for Lotto projects in the Kareeberg area. (Sport equipment)		
22,19	Lotto Vosburg		
	Opening balance	31 723	30 291
	Interest received	2 115	1 432
	Conditions still to be met	33 838	31 723
	The grant will be used for Lotto projects in the Kareeberg area. (Equipment)		
22,20	Transfer Fees Sub-Economic		
	Opening balance	133 356	127 024
	Interest received	8 994	6 332
	Conditions still to be met	142 349	133 356
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
22,21	Cleaning Project Vosburg		
	Opening balance	25 324	24 181
	Interest received	1 689	1 143
	Conditions still to be met	27 013	25 324
	The grant will be used for a cleaning project in the Kareeberg area.		
22,22	VAT - Retention		
	Opening balance	11 752	11 221
	Interest received	783	530
	Conditions still to be met	12 535	11 752
	The grant will be used for maintenance in the Kareeberg area.		
22,23	Swalpoort pipeline - Department of Water Affairs and Forestry		
	Grants received	1 621 091	-
	Conditions met	(199 002)	-
	Conditions met - Capital	(1 422 088)	-
	Conditions still to be met	-	-
	The grant will be used for infrastructure (pipeline Vanwyksvlei - Camarvon) in the Kareeberg area.		
22,24	Schietfontein tanks - Department of Water Affairs and Forestry		
	Grants received	90 211	-
	Conditions met	(90 211)	-
	Conditions still to be met	-	-
	The grant will be used for installation of water tanks at individual households in the Kareeberg area.		
22,25	Department of Water Affairs and Forestry: Donation		
	Grants received	47 424	-
	Conditions met - Capital	(47 424)	-
	Conditions still to be met	-	-
	The donation was for JoJo tanks in Van Wyksvlei.		
22,26	Department of Sport: Donation		
	Grants received	314 899	-
	Conditions met - Capital	(314 899)	-
	Conditions still to be met	-	-
	The donation was for gym equipment at the play grounds in Camarvon.		
22,27	Total Grants		
	Opening balance	1 904 727	2 420 908
	Interest received	25 412	19 285
	Grants received	30 961 625	27 533 000
	Conditions met	(23 959 180)	(20 748 058)
	Conditions met - Capital	(7 404 475)	(7 319 387)
	Conditions still to be met	1 528 110	1 904 727


		2016 R	2015 R
23	SERVICE CHARGES		
	Electricity	8 816 988	7 617 894
	Service Charges	8 816 988	7 617 894
	Water	4 535 391	4 318 992
	Service Charges	4 535 391	4 318 992
	Refuse removal	3 601 057	3 414 462
	Service Charges	3 601 057	3 414 462
	Sewerage and Sanitation Charges	2 802 900	2 598 446
	Service Charges	2 802 900	2 598 446
	Total Service Charges	19 758 336	17 849 794

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 OTHER REVENUE		
Application Specific Registrations	2 056	1 866
Building Fees	750	650
Photocopies	4 594	4 325
Grave Fees	12 560	8 630
Searching Fees	2 835	2 830
Scrap metal sale	-	19 474
Encroachment	920	917
Cement block Sales	2 590	1 820
Pond Fees	50	820
Refuse Bags Sold	2 073	2 248
Connection Fees	160	160
Gain due to additions on Biological assets	42 222	46 600
Valuation Certificates	410	460
Grant VAT Income	1 216 964	1 576 011
Electricity caravan park	141	573
Income IGRAP 2 - Rehabilitation Costs	-	689 921
Reversal of impairment (Revenue)	39 781	4 087
Total Other Income	1 328 105	2 360 990
25 FAIR VALUE ADJUSTMENTS		
Unamortised Discount - Interest - LT Receivables	2 476	2 995
	2 476	2 995
26 EMPLOYEE RELATED COSTS		
Other Allowances	-	900
Salaries & Wages	13 657 467	13 180 454
Leave Reserve Fund	422 928	245 757
Personnel Contributions	2 040 338	1 983 053
Skill Development Levy	182 218	155 149
Bargaining Council	5 960	6 081
Pension Gratification	444	444
UIF	98 546	86 828
Performance Bonuses	420 893	164 820
Annual Bonuses	2 868	14 188
Contribution to Employee Benefits - Long Service Awards - Note 3	76 000	82 888
Contribution to Employee Benefits - Post Retirement Medical - Note 3	214 000	342 812
	17 101 451	16 282 866
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	17 101 451	16 282 866
KEY MANAGEMENT PERSONNEL		
Municipal Manager is appointed on a 4 1/2-year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager: Mr W. de Bruin</i>		
Salary and Performance Bonus	1 040 070	880 200
UIF	1 785	1 785
Bargaining Council	87	81
Total	1 041 942	882 066
<i>Remuneration of the Chief Finance Officer: Mr. P.B. Rossouw</i>		
Salary and Bonus, Performance Bonus	644 980	674 392
Travel Allowance	156 972	146 700
Pension	107 235	102 455
Medical	45 748	41 798
UIF	1 785	1 785
Bargaining Council	87	81
Cell phone (VAT Included)	18 000	18 000
Total	1 174 807	885 209
<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
Salary and Bonus, Performance Bonus	815 744	783 130
Travel Allowance	156 972	146 700
Pension	112 443	107 432
Medical	46 452	43 418
UIF	1 785	1 785
Bargaining Council	87	81
Cell phone (VAT Included)	24 000	24 000
Total	1 157 483	1 086 554
<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
Salary and Bonus, Performance Bonus	778 858	658 887
Travel Allowance	156 972	146 700
Pension	107 235	97 870
Medical	36 997	34 992
UIF	1 785	1 785
Bargaining Council	87	81
Cell phone (VAT Included)	18 000	18 000
Total	1 099 935	958 315

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
27	REMUNERATION OF COUNCILLORS		
	Mayor	709 765	672 763
	Councillor	213 939	201 829
	Councillor	213 939	201 829
	Councillor	213 939	201 829
	Councillor	213 939	201 829
	Councillor	213 939	201 829
	Councillor	213 939	201 829
	Councillors' Cell phones	135 858	136 374
	Total Councillors' Remuneration	2 129 257	2 020 110
	<i>In-kind Benefits</i>		
	The Mayor is full time. He is provided with an office at the cost of the Council.		
	<i>Certification by the Municipal Manager</i>		
	I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with Government Notice 39548, dated 21/12/2015.		
			
	Signed: Municipal Manager		
28	DEBT IMPAIRMENT		
	Long term Receivables - Note 15	-	-
	Receivables from exchange transactions - Note 17	228 659	-
	Receivables from non-exchange transactions - Note 18	-	-
	Debt Impairment recognised in statement of financial performance	228 659	-
29	DEPRECIATION AND AMORTISATION		
	Property, plant and equipment	3 249 884	2 988 237
	Intangible assets	6 443	8 813
	Investment property carried at cost	12 364	12 330
	Capitalised Restoration Cost	138 933	187 601
		3 405 623	3 195 981
30	FINANCE CHARGES		
	Post Retirement Charges	710 000	728 386
	Landfill sites	1 270 338	144 742
	Total finance charges	1 980 338	873 128
31	BULK PURCHASES		
	Electricity bulk purchases	8 515 887	8 532 727
	Electricity distribution losses	(888 553)	(413 583)
	Total Bulk Purchases	8 627 114	8 119 144
32	GRANTS AND SUBSIDIES		
	Indigent Subsidies	8 975 821	8 018 446
	Total Grants and Subsidies	8 975 821	8 018 446
33	GENERAL EXPENSES		
	Advertisement, printing & stationery	270 219	203 562
	Animal Feeds	50 422	122 213
	Audit Costs	1 788 788	2 240 071
	Bank charges	135 960	134 287
	Compensation insurance	318 040	135 409
	Chemicals	79 986	210 281
	Cleaning supplies	74 057	82 334
	Consultation Fees	1 801 752	850 655
	Electricity Eskom	310 862	291 619
	Fuel & Oil	591 735	772 895
	Insurance	134 540	178 954
	Legal costs	43 000	24 843
	Membership for associations	500 000	500 000
	Other General Expenses	628 547	481 225
	Refuse bag purchases	38 367	135 000
	Street Lighting	323 602	281 657
	Subsistence and Travelling	831 540	949 802
	Telephone & Postage	416 195	382 761
	Uniforms	149 802	34 396
	General Expenses	8 298 428	7 672 046

Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This includes items such as vehicle licenses, cleaning materials, valuation costs, refreshments, water services fees and workmen compensation.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

34	CORRECTION OF ERROR IN TERMS OF GRAP 3	2015 R
34,01	Property, Plant and Equipment	
	Balance previously reported	106 050 426
	First time recognition of Property, Plant and Equipment - Note 34,07 and 10	(226 200)
	Total	<u>105 824 226</u>
34,02	Non-Current Provisions	
	Balance previously reported	2 304 558
	Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34,07 and 4	(1 862 488)
	Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 4	(900 896)
	Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34,08 and 4	(144 742)
	Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34,07 and 4	14 571 592
	Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 4	6 067 577
	Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34,08 and 4	1 081 012
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 34,03 and 4	603 666
	Correct amount on calculation of Landfill site provision increase in Estimate during 2014/15 - Note 34,03 and 4	(154 159)
	Total	<u>21 566 021</u>
34,03	Capitalised Restoration Cost	
	Balance previously reported	780 746
	Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34,02 and 14	(900 896)
	Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34,07 and 14	123 838
	Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34,07 and 14	56 266
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 34,02 and 14	(86 263)
	Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 14	20 487
	Incorrect amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 14	(4 087)
	Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34,02 and 14	6 067 577
	Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34,07 and 14	(2 142 235)
	Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34,07 and 14	(386 486)
	Correct amount on calculation of additions on Capitalised Restoration Cost during 2014/15 - Note 34,02 and 14	(154 159)
	Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 14	(142 595)
	Correct amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34,08 and 14	30 528
	Total	<u>3 272 620</u>
34,04	Investment Property	
	Balance previously reported	15 482 392
	Correction on calculation of Investment Property cost till 30 June 2014 - Note 34,07 and 11	(19 000)
	Total	<u>15 463 392</u>
34,05	Inventory	
	Balance previously reported	-
	First time recognition of Inventory - Note 34,08 and 16	527 836
	Total	<u>527 836</u>
34,06	Operating Lease Asset	
	Balance previously reported	36 132
	Operating Lease Asset previously year not recognised correctly - Note 34,07 and 19	2 046
	Operating Lease Asset previously year not recognised correctly - Note 34,08 and 19	481
	Total	<u>37 660</u>
34,07	Accumulated Surplus/(Deficit)	
	Balance previously reported	110 916 293
	Correction on calculation of Investment Property cost till 30 June 2014 - Note 34,04 and 11	(19 000)
	First time recognition of Property, Plant and Equipment - Note 34,01 and 10	(226 200)
	Operating Lease Asset previously year not recognised correctly - Note 34,06 and 19	2 046
	Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34,02 and 4	1 862 488
	Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34,02 and 4	(14 571 592)
	Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 14	123 838
	Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 14	56 266
	Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 14	(2 142 235)
	Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34,03 and 14	(386 486)
	Total	<u>103 617 419</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

34	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)	2015
34,05	Statement of Financial Performance	R
	Balance previously reported	7 829 600
	Operating Lease Asset previously year not recognised correctly - Note 34,05 and 19	491
	First time recognition of Inventory (Repairs and Maintenance) - Note 34,05 and 15	527 836
	Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34,02 and 4	144 742
	Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34,02 and 4	(1 051 012)
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34,03 and 34,02 and 14	(589 921)
	Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34,03 and 14	20 487
	Incorrect amount on calculation of Impairment on Capitalised Restoration Cost during 2014/15 - Note 34,03 and 14	(4 087)
	Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34,03 and 14	(142 595)
	Correct amount on calculation of Impairment on Capitalised Restoration Cost during 2014/15 - Note 34,03 and 14	30 525
	Total	5 636 067
35	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2016 R
	Surplus for the year	4 470 783
	Adjustments for:	8 597 125
	Depreciation	3 399 180
	Amortisation of Intangible Assets	5 443
	Contribution to Capitalised Restoration Cost	799 958
	(Gain)/Loss on disposal of property, plant and equipment	1 809
	Impairments	10 248
	Contribution from/to employee benefits - non-current	1 000 000
	Contribution from/to employee benefits - non-current - expenditure incurred	(495 894)
	Contribution from/to employee benefits - non-current - actuarial losses	(90 235)
	Contribution from/to employee benefits - non-current - actuarial gains	144 864
	Contribution to employee benefits - current	846 480
	Contribution to employee benefits - current - expenditure incurred	(826 715)
	Contribution to provisions - non-current - Rehabilitation of Landfill-sites	(639 739)
	Contribution to provisions - non-current - Unwinding of discounted interest	1 270 338
	Contribution to provisions - bad debt	228 859
	Contribution to provisions - VAT Impairment	1 134
	Unamortised discount - Interest - Revenue	(2 478)
	Contributed PPE	(382 323)
	Bad debt written off	-
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(376 618)
	Operating lease income accrued	(2 736)
	Operating Surplus/(Deficit) before changes in working capital	9 392 337
	Changes in working capital	(1 426 840)
	Increase/(Decrease) in Payables from exchange transactions	(422 274)
	(Increase)/Decrease in Inventory	-
	(Increase)/Decrease in Trade Receivables from exchange transactions	(1 012 047)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	7 480
	Cash generated/(absorbed) by operations	7 955 495
36	CASH AND CASH EQUIVALENTS	2015 R
	Cash and cash equivalents included in the cash flow statement comprise the following:	10 285 385
	Call Investments Deposits - Note 20	22 125 577
	Bank - Note 20	849 028
	Total cash and cash equivalents	22 378 445
37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	
	Cash and Cash Equivalents - Note 36	22 378 445
	Less:	22 378 445
	Unspent Conditional Grants - Note 8	1 588 658
	Cash Portion of Housing Development Fund - Note 2	1 942 738
	Net cash resources available for internal distribution	1 528 110
	Allocated to:	40 546
	Capital Replacement Reserve	1 904 727
	Retention	38 010
	Provision for Employee benefits	1 528 110
	Reserves	40 546
	Staff Leave, Performance Management Bonus, Long Service	1 528 110
	Resources available for working capital requirements	3 066 742

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	8 865	2 402 567
Unauthorised expenditure current year - operating	-	396 079
Written off supported by council	(8 865)	(2 798 665)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	20 007 411	23 510 586	(3 413 156)	-
Budget & Treasury	8 720 315	9 092 394	(372 079)	-
Corporate Services	3 000 200	2 736 507	(337 221)	-
Planning & Development	-	-	-	-
Health	38 009	40 100	(10 957)	-
Community & Social Services	797 626	1 374 982	(577 356)	-
Housing	-	-	-	-
Public Safety	74 336	74 942	(606)	-
Sport & Recreation	823 192	724 964	(101 772)	-
Environmental Protection	-	-	-	-
Waste Management	3 055 736	3 449 785	(394 049)	-
Waste Water Management	3 344 206	3 344 414	(208)	-
Road Transport	3 128 936	3 362 043	(253 107)	-
Water	1 597 573	1 679 523	(81 950)	-
Electricity	9 955 105	10 352 736	(397 631)	-
	53 831 747	59 771 642	(5 940 095)	-

Unauthorised expenditure current year - capital

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Executive & Council	-	-	-	-
Budget & Treasury	237 966	265 944	(27 978)	-
Corporate Services	-	-	-	-
Planning & Development	-	-	-	-
Health	-	-	-	-
Community & Social Services	322 744	355 656	(32 912)	-
Housing	-	-	-	-
Public Safety	-	-	-	-
Sport & Recreation	3 933 700	4 256 732	(323 032)	-
Environmental Protection	-	-	-	-
Waste Management	-	-	-	-
Waste Water Management	8 885	-	8 885	8 885
Road Transport	1 445 533	1 509 787	(154 254)	-
Water	1 469 512	3 907 000	(2 437 488)	-
Electricity	-	-	-	-
	7 418 340	10 385 119	(2 966 779)	8 885

38.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Written off supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.03 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure - prior year identified in current year	-	-
Irregular expenditure current year	-	-
Written off supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.04 Material Losses

Electricity distribution losses

Units purchased (Kwh)	8 491 512	8 337 899
- Units lost during distribution (Kwh)	792 920	404 140
- Percentage lost during distribution	9,34%	4,85%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.01 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

Council subscriptions	500 000	500 000
Amount paid - current year	(500 000)	(500 000)
Balance unpaid (Included in creditors)	-	-

2015
R

2015
R

39.02 Audit fees - (MFMA 125 (1)(b)) (excl. VAT)

Current year audit fee	1 788 788	2 240 071
External Audit - Auditor-General	1 788 788	2 240 071
Amount paid - current year	(1 788 788)	(2 240 071)
Balance unpaid (Included in creditors)	-	-

39.03 VAT - (MFMA 125 (1)(b))

Opening balance	(940 353)	(529 098)
Amounts received - current year	3 120 861	2 800 344
Amounts claimed - current year (payable)	(3 509 593)	(3 740 697)
Amounts received - previous year	-	529 098
Closing balance	(1 329 085)	(940 353)

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

39.04 PAYE, SDL and UIF - (MFMA 125 (1)(b))

Current year payroll deductions and Council Contributions	2 832 506	2 479 610
Amount paid - current year	(2 832 506)	(2 479 610)
Balance unpaid (Included in creditors)	-	-

39.05 Pension and Medical Aid Deductions - (MFMA 125 (1)(b))

Current year payroll deductions and Council Contributions	(3 618 543)	3 419 186
Amount paid - current year	3 618 543	(3 419 186)
L.A. Health	451 704	(424 068)
Munimed	-	-
Cape Pension Fund	442 442	(451 100)
Hoemed	634 391	(818 564)
Cape Joint Retirement Fund	1 739 968	(1 528 353)
SAMWU Provident Fund	350 039	(388 085)

Balance unpaid (Included in creditors)

39.06 Councillor's arrear consumer accounts - (MFMA 125 (1)(b))

The following Councillors had arrear accounts for more than 90 days as at 30 June 2016:

	2016 ■ Outstanding more than 90 days	2015 R Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-

39.07 Quotations awarded - Section 47 - Supply Chain Management

Mr C van der Merwe - Chief Operations Manager's Wife - Brother-in-law	16 463	282 280
	16 463	282 280

39.08 Deviations - Section 38(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Sole provider	39 808	267 393	-	-
Emergency cases	44 601	-	-	-
Availability	103 927	-	-	-
Limited Quotations	62 327	-	-	-
Advertising Period	-	233 217	-	-
Not Three Quotations received (Advertisement)	106 378	670 782	1 381 908	-
Not cheapest quotation accepted	10 300	-	-	-
Direct appointment without tender	-	-	1 530 132	-
Additional work by appointed contractor	7 358	-	725 564	-
Rotation of repair work	10 400	-	-	-
Deviation on tender	10 000	187 587	-	-
Direct Leasing	4 275	-	-	-
Regulation 32	-	-	313 307	-
Donation in terms of Section 2, Asset Selling Policy	1 000	-	-	-
Donation - without policy	1 000	-	-	-
Service provider	118 187	360 505	273 600	-
	790 122	1 719 463	4 224 511	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
30 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	116 452	7 061 228
Infrastructure	-	7 061 228
Community	116 452	-
Total	116 452	7 061 228
	2016 R	2015 R
This expenditure will be financed from:		
Government Grants	-	7 061 228
	-	7 061 228
	2016 R	2015 R

41 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

	2016 R	2015 R
0,5% Increase in interest rates	116 268	111 882
0,5% Decrease in interest rates	(116 268)	(111 882)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2016 %	2016 R	2015 %	2015 R
Non-Exchange Receivables				
Rates	0,00%	-	0,00%	-
Exchange Receivables				
Electricity	0,00%	-	0,00%	-
Water	0,00%	-	0,00%	-
Refuse	0,00%	-	0,00%	-
Sewerage	0,00%	-	0,00%	-
Other	0,00%	-	0,00%	-
	0,00%	0	0,00%	0

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 & 18 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
Non-Exchange Receivables				
Rates	100,00%	1 859 069	100,00%	1 681 758
Exchange Receivables				
Electricity	15,37%	168 726	7,76%	87 377
Water	32,21%	353 598	23,71%	205 347
Refuse	11,29%	123 909	5,80%	50 243
Sewerage	17,69%	184 152	24,76%	214 480
Other	23,44%	257 331	37,95%	328 738
	100,00%	1 097 716	100%	855 192

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
Industrial	8,24%	243 553	16,09%	493 400
Residential	91,76%	2 713 232	81,91%	2 234 626
	100,00%	2 956 785	100%	2 727 926

Bad debts written off per debtor class:

	2016 %	2016 R	2015 %	2015 R
Non-Exchange Receivables				
Rates	100,00%	-	0,00%	128 087
Exchange Receivables				
Services	100,00%	-	100,00%	343 553
Other	100,00%	-	0,00%	-
	100,00%	-	100,00%	343 553

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilized by the municipality for current and non-current investments are all listed on the JSE (ABSA and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2016 R	2015 R
Long term receivables	41 784	49 034
Trade receivables and other receivables	3 235 427	2 460 853
Cash and Cash Equivalents	23 253 650	22 376 445
	26 530 861	24 885 332

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

2016
R2015
R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2016				
Provisions - Landfill Sites	-	-	-	440 911 294
Capital repayments	-	-	-	22 005 620
Interest	-	-	-	418 905 674
Trade and Other Payables	506 649	-	-	-
Consumer Deposits	329 328	-	-	-
Unspent conditional government grants and receipts	1 528 110	-	-	-
	<u>2 355 097</u>	<u>-</u>	<u>-</u>	<u>440 911 294</u>
2015				
Provisions - Landfill Sites	-	-	-	220 877 316
Capital repayments	-	-	-	21 586 021
Interest	-	-	-	199 311 294
Trade and Other Payables	928 922	-	-	-
Consumer Deposits	300 159	-	-	-
Unspent conditional government grants and receipts	1 904 727	-	-	-
	<u>3 141 809</u>	<u>-</u>	<u>-</u>	<u>220 877 316</u>

42

FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

42.1

Financial Assets

Classification

		2016 R	2015 R
Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	42 400	49 684
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	2 659 649	1 954 525
Other receivables from exchange transactions	Financial instruments at amortised cost	2 049 418	1 741 695
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	7 585	8 727
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	22 604 624	22 125 577
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	649 026	250 869
		<u>28 011 901</u>	<u>25 131 377</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		<u>28 011 901</u>	<u>25 131 377</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
42	FINANCIAL INSTRUMENTS (CONTINUE)			
42,2	Financial Liability	Classification		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	328 727	738 390
	Payments received in advance	Financial instruments at amortised cost	176 695	189 308
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	1 528 110	1 984 727
			2 033 532	2 832 423
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		2 033 532	2 832 423
43	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 30 June 2016			
44	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
45	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
46	CONTINGENT ASSETS/LIABILITIES			
	None			
47	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
47,1	Related Party Transactions			
		Rates - Levied 1 July 2015 - 30 June 2016	Service Charges - Levied 1 July 2015 - 30 June 2016	Other - Levied 1 July 2015 - 30 June 2016
	Year ended 30 June 2016			Outstanding Balances 30 June 2016
	Councillors	9 139	27 181	-
	Municipal Manager and Section 56 Employees	15 251	27 181	-
				2 675
				10 652
	The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.			
47,2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.			
47,3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.			
47,4	Other related party transactions			
	The following purchases were made during the year where Councillors or Management have an interest:			
	<u>Councillor/Staff Member</u>			
	Mr C van der Merwe - Chief Operations Manager Wife's - Brother-in-law		16 463	252 280
			16 463	252 280
	Municipal Manager member of emerging farmers union who rent Camarvon commonage			

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 6,05:1 from 5,02:1 in the prior year.

The municipality have budgeted for a surplus of R8 585 119 for the 2015/2016 financial year. The municipality is also budgeting for positive surplus during 2016/2017 and 2017/2018 amounting to R5 454 000 and R5 044 000 respectively.

The average debtors' payment days increased to 97 days from 89 days.

Other Indicators

No outflow of resources due to the contingent liability disclosed in note 46.

49 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from non-exchange transactions

Property Rates	4 015	8 797
Total Statutory Receivables	4 015	8 797

KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
MUNICIPAL VOTES CLASSIFICATION

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
10 450	(193 067)	(182 617)	Cemetery	15 150	(225 845)	(210 695)
2 920	(837 061)	(834 142)	Library	1 795	(551 475)	(549 679)
-	(33 132)	(33 132)	Museum	-	(20 306)	(20 306)
-	(1 841 246)	(1 841 246)	Corporate Services	-	(2 399 286)	(2 399 286)
7 617 994	(184 977)	7 433 017	Electricity Administration	8 819 088	(155 864)	8 663 224
-	(9 144 494)	(9 144 494)	Electricity Generation	-	(10 224 748)	(10 224 748)
-	(491 258)	(491 258)	Electricity Distribution	-	(524 876)	(524 876)
25 693 534	(18 558 951)	7 134 583	General Expenditure of Council	24 623 744	(20 097 428)	4 526 316
5 500	(1 245)	4 255	Official Housing	6 000	(1 221)	4 779
9 685 401	-	9 685 401	Property Rates	11 788 014	-	11 788 014
343 641	(83 575)	260 065	Commonage	211 084	(78 911)	132 174
24 694	(238 940)	(214 246)	Municipal Buildings	94 099	(292 638)	(198 539)
2 856 761	(8 757 320)	(6 100 559)	Municipal Manager/Treasurer	1 747 261	(9 946 678)	(8 199 418)
-	(30 356)	(30 356)	Clinic	-	(38 009)	(38 009)
-	(52 309)	(52 309)	Air Port	300	(53 683)	(53 383)
-	(33)	(33)	Abattoir	-	(18)	(18)
-	(17 369)	(17 369)	Fire Department	-	(19 093)	(19 093)
-	(4 089)	(4 089)	Civil Protection	-	(601)	(601)
620	(35 111)	(34 491)	Pound	50	(54 643)	(54 593)
650	(2 294 959)	(2 294 309)	Public Works	750	(2 429 834)	(2 429 084)
-	(1 015 743)	(1 015 743)	Streets & Pavements	-	(1 146 487)	(1 146 487)
5 400	(187 405)	(182 005)	Licensing & Traffic	7 800	(157 527)	(149 727)
46 600	(225 627)	(179 027)	Nature Reserve	42 222	(67 883)	(25 661)
-	(411 961)	(411 961)	Parks & Open areas	330	(517 395)	(517 065)
-	(50 525)	(50 525)	Swimming Pool	-	(9 471)	(9 471)
8 723	(15 388)	(6 665)	Caravan Park	3 341	(28 443)	(25 102)
3 416 709	(2 947 658)	469 050	Refuse	3 603 130	(3 055 736)	547 394
3 288 367	(3 190 741)	97 626	Sewerage & Cleansing	2 802 900	(3 423 835)	(620 935)
-	(248 574)	(248 574)	Water Distribution	-	(579 371)	(579 371)
4 319 052	(982 572)	3 336 479	Water Provision	4 535 451	(1 065 915)	3 469 536
57 127 015	(52 075 697)	5 051 318	Sub Total	58 302 510	(57 167 217)	1 135 293
-	2 739 340	2 739 340	Less Inter-Departmental Charges	-	3 335 469	3 335 469
57 127 015	(49 336 356)	7 790 659	Total	58 302 510	(53 831 747)	4 470 763

KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
25 693 534	(18 558 951)	7 134 583	Executive & Council	24 623 744	(20 097 428)	4 526 316
12 715 997	(9 133 422)	3 582 575	Budget & Treasury	13 846 758	(10 373 149)	3 473 609
-	(1 841 246)	(1 841 246)	Corporate Services	-	(2 399 286)	(2 399 286)
-	(30 356)	(30 356)	Health	-	(38 009)	(38 009)
13 370	(1 063 260)	(1 049 890)	Community & Social Services	16 945	(797 626)	(780 680)
620	(56 578)	(55 958)	Public Safety	50	(74 336)	(74 286)
55 323	(703 500)	(648 177)	Sport & Recreation	45 893	(623 192)	(577 299)
3 416 709	(2 947 658)	469 050	Waste Management	3 603 130	(3 055 736)	547 394
3 288 367	(3 190 741)	97 626	Waste Water Management	2 802 900	(3 423 835)	(620 935)
6 050	(3 498 107)	(3 492 057)	Road Transport	8 550	(3 733 848)	(3 725 298)
4 319 052	(1 231 147)	3 087 905	Water	4 535 451	(1 645 286)	2 890 165
7 617 994	(9 820 729)	(2 202 735)	Electricity	8 819 088	(10 905 488)	(2 086 399)
57 127 015	(52 075 697)	5 051 318	Sub Total	58 302 510	(57 167 217)	1 135 293
-	2 739 340	2 739 340	Less Inter-Departmental Charges	-	3 335 469	3 335 469
57 127 015	(49 336 356)	7 790 659	Total	58 302 510	(53 831 747)	4 470 763

KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2015	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2015
	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
Job Creation De Bult	38 458	2 565	-	-	-	41 023
Land Development	60 384	4 024	-	-	-	64 408
Civil Defence	18 986	760	-	-	-	19 745
CMIP Kwaggakolk (VAT)	609	39	-	-	-	648
Municipal Systems Improvement Grant	-	-	930 000	905 386	24 614	-
Sanitation - sewerage	1 135 046	-	-	113 233	-	1 021 813
Electricity	34 647	2 310	-	-	-	36 957
Water Service Plan	3 239	215	-	-	-	3 455
CMIP - Saaiport project 301	3 556	237	-	-	-	3 793
Library Development Projects	-	-	1 309 000	1 178 880	132 120	-
Paving Projects	23 421	1 581	-	-	-	24 982
Lotto Camarvon	1 799	119	-	-	-	1 918
Lotto Vosburg	31 723	2 115	-	-	-	33 838
Municipal Finance Management Grant	-	-	1 800 000	1 775 658	24 342	-
Transfer Fees Sub-Economic	133 356	8 994	-	-	-	142 349
Cleaning Project Vosburg	25 324	1 689	-	-	-	27 013
VAT - Retention	11 752	783	-	-	-	12 535
Municipal Infrastructure Grant	-	-	5 828 000	653 263	5 174 737	-
Saaiport pipe line - Department of Water Affairs and Forestry	-	-	1 621 091	199 002	1 422 088	-
Schietfontein tanks - Department of Water Affairs and Forestry	-	-	90 211	90 211	-	-
Department of Water Affairs and Forestry Donation	-	-	47 424	-	47 424	-
Department of Sport Donation	-	-	314 899	-	314 899	-
Youth Development	93 632	-	-	-	-	-
Expanded Public Works Program (PWPG)	-	-	1 000 000	822 805	177 195	93 632
Expanded Public Works Program (EPWP Incentive)	288 797	-	-	201 742	87 055	-
Total	1 904 727	25 412	12 940 625	5 938 180	7 404 475	1 528 110

KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
<i>Governance and administration</i>	45 691	3 073	48 764	38 471	(10 294)	158,7%	84,2%	37 747
Executive and council	28 108	2 789	30 897	24 824	(6 274)	79,7%	87,8%	25 804
Budget and treasury office	17 583	284	17 867	13 847	(4 020)	77,5%	78,8%	12 053
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	25	-	25	63	38	254,0%	254,0%	60
Community and social services	7	-	7	17	10	254,8%	254,8%	13
Sport and recreation	17	-	17	46	28	263,8%	263,8%	65
Public safety	1	-	1	0	(1)	7,1%	7,1%	1
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	2	-	2	9	7	427,5%	427,5%	6
Planning and development	-	-	-	-	-	-	-	-
Road transport	2	-	2	9	7	427,5%	427,5%	6
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	19 566	-	19 566	19 761	194	101,0%	101,0%	16 642
Electricity	8 501	-	8 501	8 816	228	102,7%	102,7%	7 818
Water	4 523	-	4 523	4 535	13	100,3%	100,3%	4 318
Waste water management	2 698	-	2 698	2 803	107	104,0%	104,0%	3 288
Waste management	3 757	-	3 757	3 603	(154)	95,8%	95,8%	3 417
Other	-	-	-	-	-	-	-	-
Total Revenue - Standard	65 284	3 073	68 357	58 303	(10 054)	85,3%	88,3%	58 464
Expenditure - Standard								
<i>Governance and administration</i>	35 327	12	35 339	32 130	(3 209)	90,9%	91,0%	28 413
Executive and council	23 078	432	23 511	19 528	(3 983)	83,1%	84,0%	18 035
Budget and treasury office	9 512	(420)	9 092	10 228	1 134	112,5%	107,5%	9 555
Corporate services	2 737	-	2 737	2 378	(358)	86,9%	88,9%	1 823
<i>Community and public safety</i>	2 224	-	2 224	1 281	(943)	57,6%	57,8%	1 828
Community and social services	1 375	-	1 375	670	(705)	48,7%	48,7%	937
Sport and recreation	725	-	725	538	(189)	74,0%	74,0%	838
Public safety	75	-	75	71	(4)	94,4%	94,4%	51
Housing	-	-	-	-	-	-	-	-
Health	49	-	49	4	(45)	7,9%	7,6%	4
<i>Economic and environmental services</i>	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 089
Planning and development	-	-	-	-	-	-	-	-
Road transport	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 089
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	18 222	604	18 826	17 216	(1 610)	91,4%	84,5%	15 758
Electricity	10 353	-	10 353	10 185	(168)	98,4%	98,4%	9 148
Water	1 398	284	1 682	1 039	(643)	61,8%	74,5%	934
Waste water management	3 344	-	3 344	3 140	(204)	93,8%	93,8%	2 930
Waste management	3 130	320	3 450	2 852	(598)	82,7%	81,1%	2 748
Other	-	-	-	-	-	-	-	-
Total Expenditure - Standard	59 156	840	59 996	53 832	(5 940)	90,1%	91,0%	49 867
Surplus/(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive and council	28 108	2 789	30 897	24 624	(6 274)	79,7%	87,6%	25 094
Budget and treasury office	17 583	284	17 867	13 847	(4 020)	77,5%	78,8%	12 053
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	7	-	7	-	-	-	-	-
Housing	-	-	-	17	10	254,0%	254,0%	13
Public safety	1	-	1	0	(1)	7,1%	7,1%	1
Sport and recreation	17	-	17	46	28	263,8%	263,8%	55
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	3 757	-	3 757	3 603	(154)	95,9%	95,9%	3 417
Waste water management	2 696	-	2 696	2 803	107	104,0%	104,0%	3 288
Road transport	2	-	2	9	7	427,5%	427,5%	6
Water	4 523	-	4 523	4 535	13	100,3%	100,3%	4 319
Electricity	8 591	-	8 591	8 819	228	102,7%	102,7%	7 818
Total Revenue by Vote	65 284	3 073	68 357	58 303	(10 054)	85,3%	89,3%	56 464
Expenditure by Vote to be appropriated								
Executive and council	23 078	432	23 511	19 526	(3 985)	83,1%	84,6%	18 035
Budget and treasury office	9 512	(420)	9 092	10 220	1 134	112,5%	107,5%	9 556
Corporate services	2 737	-	2 737	2 378	(358)	86,9%	86,9%	1 023
Planning and development	-	-	-	-	-	-	-	-
Health	49	-	49	4	(45)	7,6%	7,6%	4
Community and social services	1 375	-	1 375	670	(705)	48,7%	48,7%	937
Housing	-	-	-	-	-	-	-	-
Public safety	75	-	75	71	(4)	94,4%	94,4%	51
Sport and recreation	725	-	725	536	(189)	74,0%	74,0%	636
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	3 130	320	3 450	2 852	(598)	82,7%	81,1%	2 746
Waste water management	3 344	-	3 344	3 140	(204)	93,9%	93,9%	2 930
Road transport	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 069
Water	1 396	264	1 660	1 039	(640)	61,9%	74,5%	934
Electricity	10 353	-	10 353	10 185	(168)	98,4%	96,4%	9 146
Total Expenditure by Vote	59 156	616	59 772	53 832	(5 940)	90,1%	91,0%	49 867
Surplus/(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MfMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
R thousand								
Revenue By Source								
Property rates	4 353	-	4 353	4 438	85	102,0%	102,0%	4 188
Property rates - penalties & collection charges	190	-	190	195	5	102,7%	102,7%	221
Service charges - electricity revenue	8 580	-	8 580	8 819	229	102,7%	102,7%	7 618
Service charges - water revenue	4 522	-	4 522	4 535	13	100,3%	100,3%	4 318
Service charges - sanitation revenue	2 696	-	2 696	2 803	107	104,0%	104,0%	3 414
Service charges - refuse revenue	3 756	-	3 756	3 601	(155)	95,9%	95,9%	2 588
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	339	-	339	327	(12)	96,4%	98,4%	305
Interest earned - external investments	1 297	-	1 297	1 808	511	139,4%	139,4%	1 593
Interest earned - outstanding debtors	3	-	3	2	(1)	67,3%	67,3%	3
Dividends received	-	-	-	-	-	-	-	-
Fines	12	-	12	15	3	121,8%	121,8%	7
Licences and permits	7	-	7	12	5	163,1%	163,1%	8
Agency services	103	-	103	178	75	172,7%	172,7%	147
Transfers recognised - operational	23 060	432	23 492	22 742	(750)	96,8%	98,6%	19 552
Other revenue	8 426	284	8 710	1 421	(7 289)	16,3%	16,0%	2 367
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	57 356	716	58 072	50 898	(7 174)	87,6%	88,7%	46 438
Expenditure By Type								
Employee related costs	16 881	2 602	19 483	17 101	(2 382)	87,4%	101,3%	16 253
Remuneration of councillors	2 062	-	2 062	2 129	67	103,2%	103,2%	2 020
Debt impairment	2 437	-	2 437	228	(2 209)	9,4%	9,4%	-
Depreciation & asset impairment	4 323	-	4 323	3 408	(915)	78,8%	78,8%	3 168
Finance charges	831	-	831	1 989	1 158	239,4%	239,4%	1 809
Bulk purchases	9 688	-	9 688	9 516	(172)	98,1%	98,1%	8 533
Other materials	489	1 207	1 696	930	(766)	55,5%	198,2%	352
Contracted services	516	600	1 116	1 100	(16)	98,6%	213,3%	1 607
Transfers and grants	9 303	(317)	8 986	8 978	(8)	99,9%	98,5%	8 016
Other expenditure	12 633	(3 556)	9 077	8 454	(624)	93,1%	68,9%	8 088
Loss on disposal of PPE	2	-	2	2	(0)	90,4%	60,4%	42
Total Expenditure	59 156	616	59 772	53 832	(5 940)	90,1%	91,0%	49 687
Surplus/(Deficit)	(1 800)	100	(1 700)	(2 934)	(1 234)	172,8%	163,0%	(3 420)
Transfers recognised - capital	7 928	2 357	10 285	7 042	(3 243)	68,5%	68,6%	10 026
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	362	362	100,0%	100,0%	-
Surplus/(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (1 to MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Multi-year expenditure								
Executive and council	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	-	-
Single-year expenditure								
Executive and council	-	-	-	-	-	-	-	-
Budget and treasury office	-	266	266	235	(26)	89,5%	100,0%	12
Corporate services	-	-	-	-	-	-	-	1
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	-	356	356	323	(33)	90,7%	100,0%	669
Housing	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Sport and recreation	1 228	3 028	4 257	3 934	(323)	92,4%	320,3%	1 359
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	1 000	(1 000)	-	-	-	-	-	-
Waste water management	3 700	(3 700)	-	9	9	100,0%	0,2%	16
Road transport	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Water	-	3 907	3 907	1 470	(2 437)	37,6%	100,0%	2 715
Electricity	-	-	-	-	-	-	-	-
Capital single-year expenditure	7 928	2 457	10 385	7 418	(2 967)	71%	84%	10 042
Total Capital Expenditure - Vote	7 928	2 457	10 385	7 418	(2 967)	71%	94%	10 042
Capital Expenditure - Standard								
Governance and administration	-	266	266	235	(31)	89,3%	#DIV/0!	13
Executive and council	-	-	-	-	-	-	-	1
Budget and treasury office	-	266	266	235	(31)	89,3%	100,0%	12
Corporate services	-	-	-	-	-	-	-	-
Community and public safety	1 228	3 284	4 512	4 066	(547)	89,2%	331,1%	2 248
Community and social services	-	371	371	132	(239)	35,6%	100,0%	809
Sport and recreation	1 228	3 014	4 242	3 934	(308)	92,7%	320,3%	1 359
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Planning and development	-	-	-	-	-	-	-	-
Road transport	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Environmental protection	-	-	-	-	-	-	-	-
Trading services	4 700	(793)	3 907	1 478	(2 429)	37,8%	31,5%	2 730
Electricity	-	-	-	-	-	-	-	-
Water	-	3 907	3 907	1 470	(2 437)	37,6%	100,0%	2 715
Waste water management	3 700	(3 700)	-	9	9	100,0%	0,2%	16
Waste management	1 000	(1 000)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	7 928	2 457	10 385	7 225	(3 161)	70%	91%	10 042
Funded by:								
National Government	7 928	1 988	9 916	7 042	(2 874)	71,0%	88,8%	10 028
Provincial Government	-	132	132	-	(132)	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	237	237	376	139	158,7%	100,0%	16
Transfers recognised - capital	7 928	2 357	10 285	7 418	(2 867)	72%	94%	10 042
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	-	160	160	-	(160)	-	-	-
Total Capital Funding	7 928	2 457	10 385	7 418	(2 967)	71%	94%	10 042

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CASH FLOWS

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA 628)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	3 178	—	3 178	4 508	1 331	141,9%	141,9%	4 629
Service charges	18 586	—	18 586	18 050	(536)	97,1%	97,1%	16 538
Other revenue	8 796	829	9 625	1 646	(7 979)	17,1%	18,7%	2 450
Government - operating	23 060	(113)	22 947	23 150	203	100,0%	100,4%	19 685
Government - capital	7 928	2 357	10 285	7 449	(2 836)	72,4%	94,0%	10 934
Interest	1 171	—	1 171	1 753	582	149,7%	149,7%	1 557
Dividends	—	—	—	—	—	—	—	—
Payments								
Suppliers and employees	(42 262)	(933)	(43 195)	(37 626)	5 569	87,1%	89,0%	(36 182)
Finance charges	(831)	—	(831)	(1 989)	(1 158)	239,4%	239,4%	(1 809)
Transfers and Grants	(9 303)	317	(8 986)	(8 976)	10	99,9%	96,5%	(8 016)
NET CASH FROM/(USED) OPERATING ACTIVITIES	10 323	2 457	12 780	7 965	(4 815)	62,3%	77,2%	9 783
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	—	—	—	4	4	100,0%	100,0%	44
Decrease (increase) in non-current debtors	8	—	8	9	0	102,8%	102,8%	10
Decrease (increase) other non-current receivables	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments	—	—	—	—	—	—	—	—
Payments								
Capital assets	(7 928)	(2 457)	(10 385)	(7 113)	3 272	68,5%	69,7%	(10 088)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7 020)	(2 457)	(10 377)	(7 100)	3 276	68,4%	69,7%	(10 034)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	—	—	—	—	—	—	—	—
Borrowing long term/financing	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits	10	—	10	12	2	121,8%	121,8%	15
Payments								
Repayment of borrowing	—	—	—	—	—	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES	10	—	10	12	2	121,8%	121,8%	15
NET INCREASE/ (DECREASE) IN CASH HELD	2 413	—	2 413	877	(1 536)	36,3%	36,3%	(238)
Cash/cash equivalents at the year begin:	22 869	—	22 869	22 376	(492)	97,8%	97,8%	22 612
Cash/cash equivalents at the year end:	25 282	—	25 282	23 254	(2 028)	92,0%	92,0%	22 376